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DIV. OF OIL, GAS & MINING

Form 3160-3
(September 2001)UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER


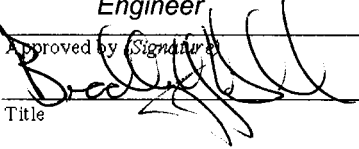
FORM APPROVED
OMB No. 1004-0136
Expires January 31, 2004

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. UTU-75206
1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input checked="" type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name N/A
2. Name of Operator McElvain Oil & Gas Properties, Inc.		7. If Unit or CA Agreement, Name and No. N/A
3a. Address 1050 17th Street, Suite 1800, Denver, CO 80265	3b. Phone No. (include area code) (303) 893-0933	8. Lease Name and Well No. Center Fork Federal #17-2
4. Location of Well (Report location clearly and in accordance with any State requirements.)* At surface 660' FNL & 1979' FEL (NWNE) Sec. 17, T12S-R24E S.L.B & M At proposed prod. zone same (vertical well) <i>649722X 39.780401 4404637 Y -109.251665</i>		9. API Well No. 43-047-38425
14. Distance in miles and direction from nearest town or post office* Approx 25 miles South of Bananza, Utah		10. Field and Pool, or Exploratory Oil Springs L135
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 660 ft S. of Lease/Unit Line	16. No. of Acres in lease 1,280 Acres	11. Sec., T., R., M., or Blk. and Survey or Acreage Sec. 17, T12S-R24E SLB&M
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. Approx 2,640 ft	19. Proposed Depth 6,200 ft	12. County or Parish Uintah County
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 6,155.9 ft GL	22. Approximate date work will start* September 2006	13. State Utah
17. Spacing Unit dedicated to this well 40 Acres		
20. BLM/BIA Bond No. on file LPM 4138223 (Nation-Wide Bond)		
23. Estimated duration 30 Days Construction & Drilling		

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form:

- | | |
|---|--|
| 1. Well plat certified by a registered surveyor. | 4. Bond to cover the operations unless covered by an existing bond on file Item 20 above). |
| 2. A Drilling Plan. | 5. Operator certification. |
| 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office). | 6. Such other site specific information and/or plans as may be required by authorized officer. |

25. Signature 	Name (Printed/Typed) Barbara Martin	Date July 26, 2006
Title Engineer		
Approved by (Signature) 	Name (Printed/Typed) BRADLEY G. HILL	Date 08-11-06
Title ENVIRONMENTAL MANAGER		

Application approval does not warrant or certify the the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Conditions of approval, if any, are attached.

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on reverse)

Federal Approval of this
Action is Necessary

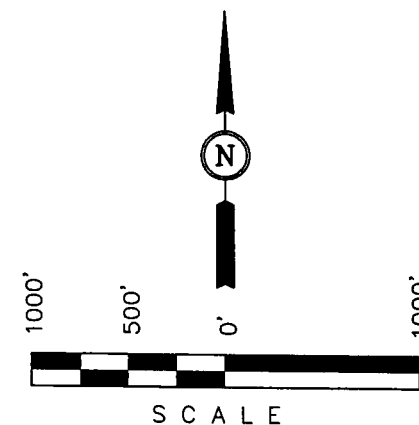
T12S, R24E, S.L.B.&M.

McELVAIN OIL & GAS PROP., INC.

Well location, CENTER FORK FEDERAL #17-2, located as shown in the NW 1/4 NE 1/4 of Section 17, T12S, R24E, S.L.B.&M. Uintah County, Utah.

BASIS OF ELEVATION

BENCH MARK 88 EAM LOCATED IN THE SW 1/4 OF SECTION 6, T12S, R24E, S.L.B.&M. TAKEN FROM THE ARCHY BENCH SE, QUADRANGLE, UTAH, UTAH COUNTY, 7.5 MINUTE QUAD. (TOPOGRAPHIC MAP) PUBLISHED BY THE UNITED STATES DEPARTMENT OF THE INTERIOR, GEOLOGICAL SURVEY. SAID ELEVATION IS MARKED AS BEING 6066 FEET.



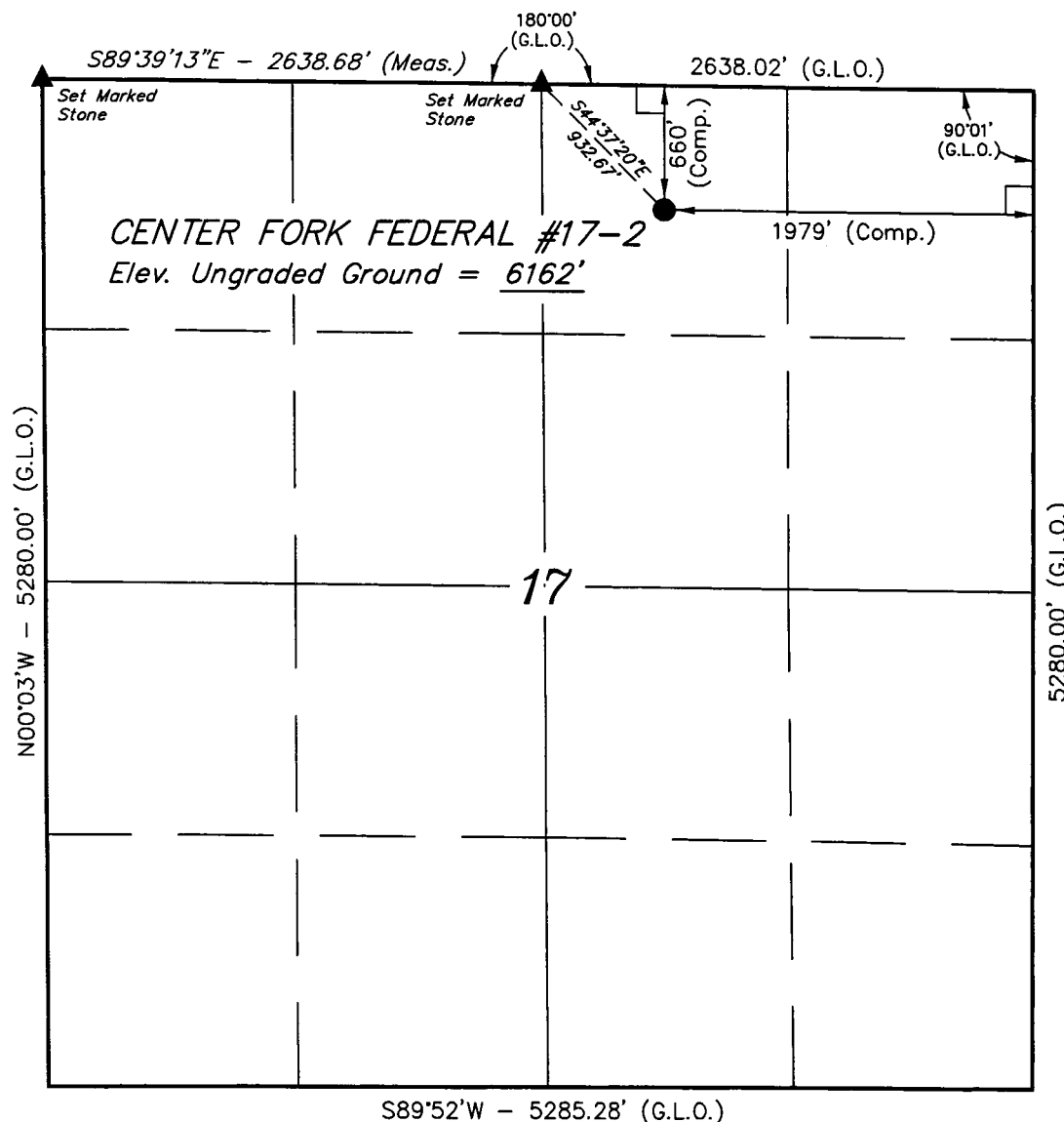
CERTIFICATE

THIS IS TO CERTIFY THAT THE ABOVE PLAT WAS PREPARED FROM FIELD NOTES OF ACTUAL SURVEYS MADE BY ME OR UNDER MY SUPERVISION AND THAT THE SAME ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.

Robert Hay
REGISTERED LAND SURVEYOR
REGISTRATION NO. 161319
STATE OF UTAH

UTAH ENGINEERING & LAND SURVEYING
85 SOUTH 200 EAST - VERNAL, UTAH 84078
(435) 789-1017

SCALE 1" = 1000'	DATE SURVEYED: 7-7-05	DATE DRAWN: 7-14-05
PARTY J.F. P.J. K.G.	REFERENCES G.L.O. PLAT	
WEATHER HOT	FILE McELVAIN OIL & GAS PROP., INC.	



S89°52'W - 5285.28' (G.L.O.)

BASIS OF BEARINGS

BASIS OF BEARINGS IS A G.P.S. OBSERVATION.

(AUTONOMOUS NAD 83)
LATITUDE = 39°46'49.12" (39.780311)
LONGITUDE = 109°15'08.19" (109.252275)
(AUTONOMOUS NAD 27)
LATITUDE = 39°46'49.23" (39.780342)
LONGITUDE = 109°15'05.78" (109.251606)

LEGEND:

- └─┘ = 90° SYMBOL
- = PROPOSED WELL HEAD.
- ▲ = SECTION CORNERS LOCATED.

Ten Point Plan

McElvain Oil & Gas Properties, Inc.

Center Fork Federal #17-2

Surface Location NW ¼, NE ¼, Section 17, T12S-R24E, SLB&M
Uintah County, Utah

1. Surface Formation

Uintah

2. Estimated Formation Tops and Datum

(Datum Assumes 12' KB above ungraded GLE of 6,162' from sea level = 6,174' KB)

<u>Formation</u>	<u>Top @ Drill Depth</u>	<u>Datum</u>	<u>Anticipated Fluids</u>
Uintah	Surface	+6,174' KB	
Green River	174'	+6,000' KB	
Uteland Butte	2,174'	+4,000' KB	
Wasatch	2,274'	+3,900' KB	Gas, Water
Mesaverde	3,874'	+2,300' KB	Gas, Water
Estimated TD	6,200'		

Potential formation objectives include the Uteland Butte, Wasatch and Mesaverde, including the Mesaverde sub-members. Primary objectives will be the Wasatch and Mesaverde.

3. BOP and Pressure Containment Data

Formation pressures are anticipated to be normally or slightly under-pressured with a maximum bottom hole pressure of slightly less than 2,700 psi (pressure gradient of less than 0.435 psi/ft).

A 3000-psi WP BOP system as described in 43 CFR 3160 "Onshore Oil and Gas Order #2" will be utilized. The system will consist of a 3,000 psi double ram preventer with one blind, one pipe ram and an annular preventer. The system may, depending on the drilling rig's substructure clearance, utilize a rotating head above the annular preventer. Please refer to the attached BOP diagram for this 3,000 psi BOP configuration. The kill line and choke manifold will have a 3,000 psi or higher pressure rating. The BOP system, including the surface casing, will be pressure tested following initial installation and prior to drill-out of the surface casing. Pressure tests will be conducted to the minimum

standards set forth in "Onshore Oil and Gas Order #2". The BOP will be mechanically checked daily during the drilling operation.

4. Proposed Hole, Casing and Cementing Data

Hole & Casing Configuration

<i>Hole Size</i>	<i>Hole Interval</i>	<i>Casing Size</i>	<i>Setting Depth</i>	<i>Casing New/Used</i>
12 1/4"	0 - 650'	9 5/8"	650'	New
7 7/8"	650 – TD	4 1/2"	T.D.	New

Casing Properties

<i>Csg Size</i>	<i>Csg Wt./Ft</i>	<i>Csg Grade</i>	<i>Csg Thread</i>	<i>Csg Collapse</i>	<i>Csg Burst</i>	<i>Csg Tensile</i>
9 5/8	32.3	H-40	ST&C	1,400 psi	2,270 psi	254,000#
4 1/2	11.6	I-80	LT&C	6,350 psi	7,780 psi	201,000#

If used, conductor pipe will be set at approximately 40 feet and have a 14" minimum outside diameter.

Cement Program

<i>Casing Size</i>	<i>Cement Type</i>	<i>Cement Amount</i>	<i>Cement Yield</i>	<i>Cement Weight</i>
9 5/8"	Premium + 2% CaCL + 0.25 lb/sk. Cello Flake.	325 sacks	1.18 cf/sk	15.6 lbs/gal

Above surface casing cement volume based upon 75-100% excess for cement to surface

4 1/2"	<u>Lead</u> (2000'-surface) Premium + 16% Gel + 1% Econolite + 5#/sk Gilsonite + 1.5#/sk Granulite + 0.25#/sk Flocele + 3% Salt	175 sacks	3.81 cf/sk	11.0 lbs/gal
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	<u>Tail</u> (TD to 2000') Premium-AG + 2% Gel + 0.5% Halad(R)-9 + 0.3% CFR-3 + 2% Microbond + 0.1% Super CBL	810 sacks	1.52 cf/sk	14.2 lbs/gal
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Above cement volumes based upon 25% excess, or if accurate caliper log obtained, 15% excess for cement to surface.

A stage tool may be run if drilling conditions indicate a two stage job is warranted or if favorable mud log shows and elog responses indicate potential pay in the Uteland Butte or Green River Formation.

Float Equipment & Centralizers

Surface casing will be single staged with guide shoe, 1 joint casing, baffle. A minimum of 3 bow spring centralizers will be run on bottom as follows: Center of shoe joint, top of 1st casing connection & top 2nd casing connection.

Production casing will be single staged with float shoe, 1 joint casing, float collar. A minimum of 3 centralizers will be run on bottom plus additional centralizers run through potential pay zones in the tail cement interval.

5. Mud Program

<u>Interval</u>	<u>Mud Type</u>	<u>Mud weight lbs./gal.</u>	<u>Viscosity Sec./Qt.</u>	<u>Fluid Loss Ml/30 Min.</u>
0 - 620'	Air & Mist			No Control
620 - 1,900'	Water	8.4 - 8.8	28 - 36	No Control
1,900 - 6,200' (TD)	Water/Gel	8.8 - 9.4	32 - 42	8 - 10

Unless hole conditions dictate otherwise, mud-up is anticipated to start approximately 300' above the Uteland Butte formation.

6. Testing, Coring, Sampling and Logging Program

- a) Test: None are anticipated.
- b) Coring: There is the possibility of sidewall coring.
- c) Sampling: Mud loggers will be scheduled for call-out following drill-out of the surface casing. The rig-up of gas detection equipment and recovery of cuttings samples will start at the bottom of the Green River formation at approximately 2,150' drill depth. Initially, a 30 foot sampling frequency will be scheduled. Depending on drill rates and shows, and at geologist's discretion, sampling frequency may be increased to 10 foot intervals.

d) Electric Logging:

<u>Type</u>	<u>Interval</u>
Array Induction-Gamma Ray-SP-Caliper	TD to Surface Casing
Density-Neutron-Gamma Ray-SP-Caliper	TD to Surface Casing
Cement Bond Log-Gamma Ray	PBTD to Top of Cement

7. Abnormal Conditions

Oil and gas shows are anticipated but no abnormal pressures, temperatures or other hazards are anticipated. Other wells drilled in the area have not encountered H₂S. Anticipated formation pressures are expected to be “normally pressured” (0.435 psi/ft) or slightly under-pressured with a maximum bottom hole pressure of slightly less than 2,700 psi. Maximum anticipated surface pressure equals approximately 1,350 psi (Normal pressure gradient less partially evacuated hole gradient times depth: $0.435 \text{ psi/ft} - 0.22 \text{ psi/ft} \times 6,200' \text{ TD} = 1,350 \text{ psi}$).

8. Anticipated Starting Date & Drilling Schedule

Location building and well spud is anticipated within 120 days of McElvain's receipt of an approved drilling permit and conditioned upon lease wildlife stipulations. Duration of location construction, drilling & completion operations is expected to be approximately 55 aggregate days comprised of 7 construction days, 3 days to pre-set surface casing, 2 move-in/rig-up days, 15 drilling days, 2 rig-down/move-out days, 1 location prep day, 20 completion & testing days & 5 battery construction days.

9. Variances

Operator requests a variance to regulations requiring a straight run blooie line (when possible, a straight run blooie line will be used).

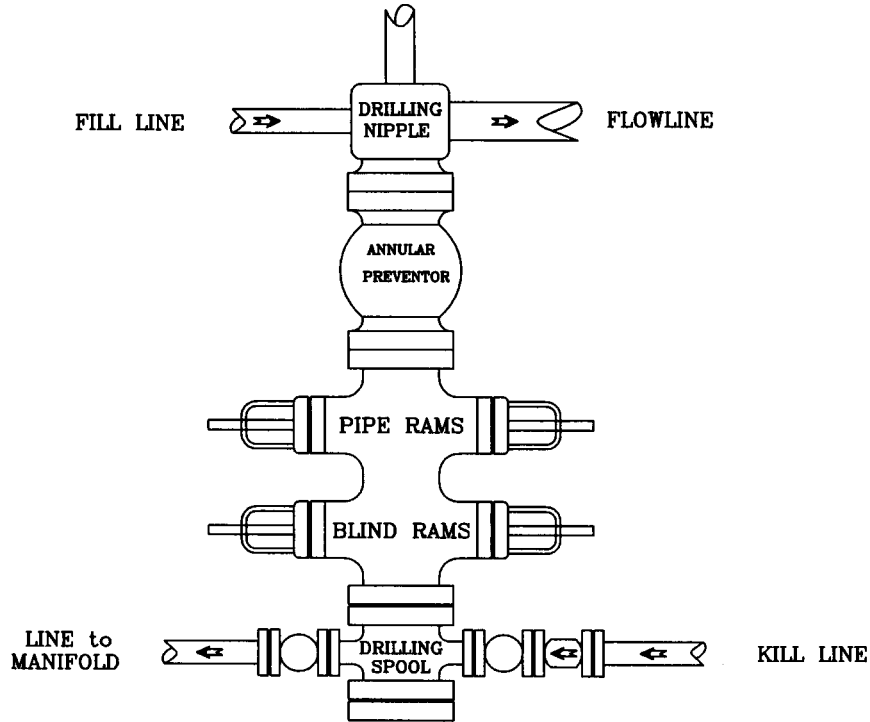
Operator requests a variance to regulations requiring an automatic igniter or continuous pilot light on the blooie line.

10. Other

A Cultural Resource Inventory Report for the well pad, access road and pipe line was previously forwarded to the Vernal Office of the BLM. The archaeological survey was conducted by Sagebrush Consultants, LLC and their report #1442 indicates that “no cultural resources were located during this inventory”.

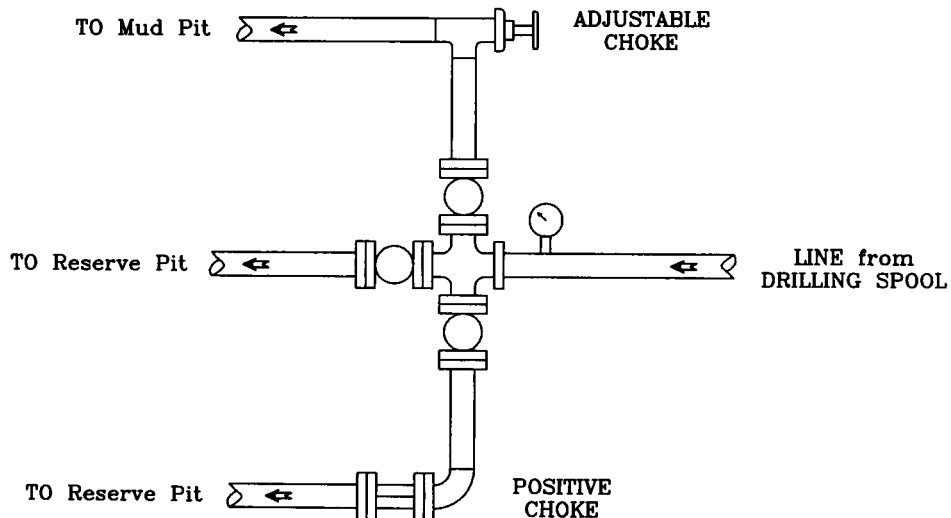
PRESSURE CONTROL

Wellhead Assembly



Preventer and Spools are to have a
9" Bore or larger and a 3000 PSI
or higher Pressure Rating

Choke Manifold



McElvain Oil & Gas Properties, Inc.

Center Fork Federal #17-2

McELVAIN OIL AND GAS PROPERTIES, INC.

13 POINT SURFACE USE PLAN

Center Fork Federal #17-2

NW ¼ NE ¼

SEC. 17, T12S-R24E, S.L.B.&M.

UINTAH COUNTY, UTAH

LEASE NUMBER: UTU-75206

SURFACE MANAGER/OWNER:

BUREAU OF LAND MANAGEMENT

1. Existing Roads

Directions to the proposed well Center Fork Federal #17-2 in Section 17, T12S-R24E:

Starting in Vernal, Utah

Proceed East and southeast from Vernal on Highway 40 to Highway 45 at Naples, Utah where a sign indicates the direction to Bonanza Power Plant.

Right (south) \pm 36 miles on Highway 45 to Bonanza, Utah.

Proceed south (past Bonanza and White River) on Highway 45 an additional \pm 5 miles to mile marker "0".

Left (southeast) at mile marker "0" on gravel road. BLM sign indicates this is the access road leading to "Rainbow Junction" and "Baxter Pass" (Uintah Cnty Rd # 4180, Dragon Road).

Proceed south/southeast on gravel road approximately 3.7 miles to a "Y" in the road at sheep corrals known as the "Greek" corrals.

Right at the "Y" by the "Greek" corrals towards Atchee Ridge and Rainbow (Uintah Cnty Rd #4190, King's Wells Road).

Proceed \pm 8.5 miles to a junction.

Left at the junction towards "King's Well" and "Rainbow" (continue on Rd #4190)

Proceed only \pm 0.6 miles to another junction.

Right at junction towards "Kings Well" and head southwest (continue on Rd #4190)

Proceed \pm 7.0 miles on "Kings Well" road to an intersection just before the sheep corrals known as the "Cedar Corrals".

Left at intersection and head south past sheep camp known as "Seeley's Cabin" approximately 0.75 mile to the junction of this road and an oil and gas lease road (Oil Springs Gas Field Road) angling in from the east.

Left on lease road and head east approximately 1.5 miles to the beginning of the proposed access road.

Right at proposed access road and head South East approximately 0.5 miles into the proposed Center Fork Federal #17-2 location.

Total distance from Vernal, Utah to the proposed well is approximately 66 miles.

All existing roads from Vernal, Utah to the "Seeley's Cabin" road are State or County Class D roads.

Anticipated road up-grading and new road construction will occur on approximately 2640 feet of ON-LEASE access road adjoining and lying immediately north of the proposed location.

Please see the attached map B Topo for additional details.

2. Planned access road

The proposed location will require approximately 2640 feet of ON-LEASE new road construction.

The new road will be built to the following standards:

A) Approximate length	2460 Ft.
B) Right of Way width	30 Ft.
Running Surface	18 Ft.
C) Maximum grade	< 5%
D) Turnouts	None
E) Major cuts and fills	None
F) Culvert	None
G) Surfacing material	Native Soil
H) Fence crossing	None
I) Road flagged	Yes
J) Access road surface manager/owner	BLM
K) Pipe line crossing	None
L) Stream crossings	None
M) All new construction on lease	Yes

Please see the attached location Map B Topo for additional details.

Access roads and surface disturbing activities will conform to standards outlined in the Bureau of Land Management and Forest Service publication: Surfacing Operating Standards for Oil and Gas Exploration and Development, 1989. This is also referred to as the Gold Book.

The road will be constructed to meet the standards of the anticipated traffic flow and all-weather road requirements. Construction shall include ditching, draining, graveling, crowning, and capping the road bed, as necessary, to provide for a well-constructed safe road. Prior to construction, the road shall be cleared of any snow cover and allowed to dry completely. Travel off the 30 foot right-of-way will not be allowed. Road drainage crossings shall be of the typical dry creek drainage crossing type (unless specified differently). Crossings will be constructed so they will not cause "silt-up" or accumulation of debris in the drainage crossing, nor shall the drainages be blocked by the roadbed. Erosion of the drainage ditches by runoff water shall be prevented by diverting water at frequent intervals by utilizing cutouts. Up grading will not be constructed during muddy conditions. Should mud or dust holes develop, they will be filled in and detours around them avoided.

3. Location of existing wells

The following wells are located within a one mile radius of the location site.

A) Water well	None
B) Abandoned well	None
C) Temp. abandoned well	None
D) Disposal well	None

E) Drilling/Permitted well	One (Rainbow 12-24-12-16)
F) Producing well	Three (TF #8-2, TFF #8-2, State #1)
G) Shut in well	Two (CFF #17-4)
H) Injection well	None
I) Monitoring or observation well	None

Please see the attached map C Topo for additional details.

4. Location of tank batteries, production facilities, and production gathering service lines.

A) Production Facility

All production facilities will be contained within the proposed location site. Please see the attached plan for a typical gas well equipment and pipe lay-out.

All permanent structures (on site for six month or longer), constructed or installed, will be painted a flat, non-reflective, earth-tone color to match one of the standard environmental colors. Facilities required to comply with O.S.H.A. (Occupational Safety and Health Act) will be excluded.

All tanks will be surrounded by a dike of sufficient capacity to contain the storage capacity of the largest tank in the battery. The integrity of the dike will be maintained.

If the well is capable of economic production, a gas gathering line will be required.

B) Gas Gathering Line

We propose to install approximately 7,600 feet (3,120 feet ON-LEASE and 4,480 ft OFF-LEASE) of steel gas gathering line if an economic well is drilled and completed. Construction of the gathering line will start at the Center Fork Federal #17-2 well site location and head North West along the Northern edge of the new access road. The pipe line will then follow the road along its Eastern side for approximately 4100 feet until reaching the lease road to the Tucker Federal #8-6. The pipeline will follow the lease road \pm 380 ft on the Southern side to the tie-in point with an existing gathering line located in the NENW portion of Section 8, T12S-R24E.

Please see map D for gathering line location.

The gathering line will require an off lease right-of-way.

The line will be a 3-4" steel line, depending on the anticipated well deliverability.

Max operating pressure will be 500 psi.

The operating temperature of the gathering system will reflect the daily ambient temperature of the area.

At this time, there are no plans for on-site compression or pumping stations.

The gathering line will not be hydrostatically tested.

The pipe line will be laid and utilized above ground. The pipe line will be removed when there is no continuing need for this gathering line. Prior to removing the line, an onsite will be held with the BLM to insure that the removal and reclamation will conform to all applicable BLM regulations and requirements.

There will be no additional surface disturbances required for the installation of a gathering line. The pipeline will be welded together and pulled from the well-site location and tie-in points when practical, although it will likely be necessary to utilize small segments of the access road for some of the pipe line welding. The line will then be boomed off to the side of the road.

A gas meter will be located within 500' of the well head. The gas line will be buried or anchored down from the well head to the meter. Meter runs will be housed and/or fenced.

The gas meter will be calibrated and the production tank(s) strapped in place prior to any sales deliveries from the well. All measurement facilities will conform to API (American Petroleum Institute) and AGA (American Gas Association) standards for gas and liquid hydrocarbon measurement.

5. Location and type of water supply

Water for drilling and cementing the subject well will fresh water and will be trucked by contractor Tu & Frum, Inc. Depending on road conditions, water will be trucked from: Rose Wood Resources flowing water well, Well #5A, in Section 24 T11S-R23E, water permit number 49-1547, and/or Willow Creek, 30 miles southwest of Vernal in Sec. 29, T12S-R21E, permit #T-75377, and/or the White River in Sec. 23, T10S-R23E, permit #T-75517. Completion water will come from the same supply or from the City of Vernal, Utah.

6. Source of construction materials

All construction material for this location site and access road shall be borrowed material accumulated during construction of the location site and access road. Additional road gravels or pit lining material will be obtained from private sources.

7. Methods for handling waste disposal

A) Pit construction and liners:

The reserve pit will be approximately 8 to 10 feet deep and most of the depth shall be below the surface of the existing ground. Please see the attached plat for details.

The reserve pit will not be lined unless the pit is blasted or soil conditions warrant a pit liner.

If a plastic liner is required by the BLM or used by the operator, it will be a nylon reinforced liner. It will be a minimum of 12 mil thickness with sufficient bedding (i.e. weed free straw or hay, felt, or soil) to cover any rocks. The liner will overlap the pit walls and be covered with dirt and/or rock to hold it in place. No trash, scrap pipe, etc., that could puncture the liner will be disposed of in the pit.

The pit will be used to hold non-flammable materials such as drilling make-up water, drill cuttings, salt, drilling fluids, chemicals, produced fluids, etc.

B) Produced fluids

Produced water will be confined to the reserve pit, or if deemed necessary, a steel storage tank will be utilized for water storage for a period not to exceed 90 days after initial production. Produced water accumulated after the initial production and testing period will be stored in steel tank(s) before truck removal to an authorized disposal pit or injection well.

C) Garbage

A trash cage fabricated from expanded metal will be used to hold trash on location. All trash will be removed to an authorized landfill location.

D) Sewage

A portable chemical toilet will be supplied for human waste during the drilling operation.

E) Site clean up

After the drilling and the completion rig is moved off the location, the well site area will be cleaned and all refuse removed.

F) Hazardous Material Statement

No chemicals subject to reporting under SARA Title III (hazardous materials) in an amount greater than 10,000 pounds will be used, produced, stored, transported,

or disposed of annually in association with the drilling, testing or completion of the well. Furthermore, no extremely hazardous substances, as defined in 40 CFR 355, in threshold planning quantities, will be used, produced, stored, transported, or disposed of in association with the drilling, testing or completion of the well.

8. Ancillary facilities

There are no ancillary facilities planned at this time and none are foreseen in the future.

9. Well-site layout and location

The proposed location has been staked at 660' FNL & 1,979' FEL of Section 17, T12S-R24E.

Well-site layout

Location dimensions are as follows:

A) Pad length	345 ft	G) Max fill	19.7 ft
B) Pad width	160 ft	H) Total cut yards	11,640 cu. yds.
C) Pit depth	8 – 10 ft	I) Pit location	Southwest
D) Pit length	150 ft	J) Top soil locations	corner C, D & 6
E) Pit width	70 ft	K) Access road location	North East side
F) Max cut	15.7 ft	L) Flare pit	Corner D

Please see the attached location diagram for additional details.

The reserve pit will be fenced on three sides during drilling operations. The fourth side will be fenced when the drilling rig is removed from the location. The fence will be maintained until clean-up.

All pits will be fenced according to the following minimum standards:

- A) Thirty-nine inch net wire shall be used with at least one strand of barb wire on top of the net wire. Barbed wire is not necessary if pipe or some type of reinforcement rod is attached to the top of the entire fence.
- B) The net wire shall be no more than 2 inches above the ground. The barbed wire shall be 3 inches above the net wire. Total height of the fence shall be at least 42 inches.
- C) Corner posts shall be cemented and/or braced in such a manner to keep the fence tight at all times.

- D) Standard steel, wood or pipe posts shall be used between the corner braces. Maximum distance between any two posts shall be no greater than 16 feet.
- E) All wire shall be stretched by using a stretching device before it is attached to the corner posts.

10. Plans for restoration of the surface

Prior to construction of the location, the top 6 inches of soil material will be stripped off the location and the pit area. This stripped top soil will amount to approximately 1,570 cubic yards of material. Topsoil will be stockpiled in two adjoining piles. Placement of the topsoil is noted on the attached location plat. The stock piled topsoil will be seeded with the seed mix dictated by the BLM. When all drilling and completion activities have been completed and the pit back-filled, the topsoil from the pit area will be spread on the pit area. The pit area will be seeded when the topsoil has been spread. The unused portion of the location will be re-contoured.

The dirt contractor will be provided with an approved copy of the surface use plan prior to construction activities.

A) Producing location

Following the back-fill of the reserve pit, the natural drainage pattern shall be restored, as nearly as practical, to its original line of flow .

All disturbed areas will be re-contoured to the approximate natural contours. Prior to back filling the pit, the fences around the reserve pit will be removed.

The reserve pit will be reclaimed within 90 days of well completion. If the reserve pit has not dried sufficiently to allow for proper back filling, the Operator will submit a request for an extension of time. Once initiated, reclamation activities will completed within 30 days, weather conditions permitting.

If a reserve pit utilizes a liner, the liner shall be turned down below ground level and perforated before the pit is backfilled.

After the reserve pit has been reclaimed, no depressions in the soil covering the reserve pit will be allowed. The objective is to keep seasonal rainfall and runoff from seeping into the soil used to cover the reserve pit. Diversion ditches and water bars will be used to divert runoff as needed.

When restoration activities have been completed, the location site shall be reseeded. Prior to reseeding, all disturbed areas will be scarified and left with a rough surface.

a) Seeding dates

Seed will be spread when the topsoil is stock piled and when reclamation work is performed.

b) Seed mix

The seed mix utilized in the soil reclamation will be in the amounts, and of the type specified by the BLM in their “Conditions of Approval”.

B) Dry hole/Abandoned location

At such time as the well is plugged and abandoned, the operator will submit a subsequent report of abandonment and the BLM will attach the appropriate surface rehabilitation conditions of approval.

11. Surface Manager/Owner

Location	Bureau of Land Management
Access road	Bureau of Land Management
Pipeline	Bureau of Land Management

12. Other information

A) Vegetation

The vegetation coverage is slight. The predominant existing vegetation consists of sage brush.

B) Dwellings

A “sheep camp” is located approximately 2 miles to the north of the proposed location and contains approximately 3 storage structures, and depending on the time of year 2 to 3 temporary trailer living quarters.

C) Archeology

A cultural resource inventory survey was conducted on the proposed well-site location, access road and pipe line route. A copy of this report, entitled Sagebrush Report No. 1442, is included with this APD.

During any operations, if archaeological or historical sites, or any objects of antiquity (subject to the antiquities act of June 8, 1906) are discovered, all operations which would affect such sites or objects will be suspended and the BLM will be immediately notified.

D) Water

The nearest live water is Evacuation Creek, \pm 8.5 miles north-east of the proposed location.

E) Chemicals

No pesticides, herbicides or other possible hazardous chemicals will be used without AO approval.

F) Notifications

The Bureau of Land Management will be notified as follows

- a) Location construction
At least 48 hours prior to construction of location and access roads
- b) Location completion
24 hours prior to moving the drilling rig on location.
- c) Spud notice
At least 24 hours prior to well spud.
- d) Casing string and cementing
At least 24 hours prior to running casing and cementing all casing strings.
- e) BOP and related equipment tests
At least 24 hours prior to initial pressure tests.
- f) Abandonment – Newly Drilled Dry Holes and/or Hole Failures
At least 24 hours prior to start of abandonment operations. In certain situations, Operator may be unable to provide 24 hour advance notice, but in all situations, Operator will receive abandonment orders from the BLM prior to the actual commencement of abandonment operations.
- g) First production notice
Within 5 business days after the new well begins, or production resumes after well has been off production for more than 90 days.
- h) Completion and Re-completion Operations
At least 24 hours prior to moving the rig on location.
- i) State of Utah Division of Oil, Gas, and Mining (DOGM) Notifications
Within 24 hours of well spud, Operator will notify DOGM at 801.538.5284. Prior to commencement of operations to plug and abandon the well, Operator will notify DOGM at 801.538.5338.

G) Flare pit

The flare pit will be located in corner C of the reserve pit and outside the pit fence on the south side of the location. All fluids will be removed from the flare pit within 48 hours of occurrence.

H) Wildlife Stipulations

Wildlife stipulations and possible activity restrictions will be detailed in the "Conditions of Approval" received with an approved Permit to Drill. Operator will comply with these wildlife "conditions of approval".

I) Onsite

Onsite Date: Thursday, July 6, 2006

Onsite attendants

Holly Villa	BLM
Amy Torres	BLM
Ivan Sadlier	McElvain Oil & Gas

13. Lessees or Operator's representative(s) and certification

A) Representatives

Barbara Martin
Engineer
1050 – 17th Street, Ste. 1800
Denver, CO. 80265
Off. 303.893.0933 xtn 345
Fax. 303.893.0914
Cell. 303.718.0812
E-Mail. barbaram@mcelvain.com

Ivan Sadlier
Production Foreman
P.O. Box 985
Vernal, UT. 84078
Cell #1: 435.828.0284
Cell #2: 435.828.0282
E-Mail. sadlier@easilink.com

McElvain Oil & Gas Properties, Inc. is considered to be the operator of the subject well. McElvain Oil & Gas Properties, Inc. agrees to be responsible under the terms and conditions of the lease for operations conducted upon the leased premises.

B) Certification

All lease operations will be conducted in such a manner that full compliance is made with all applicable laws, regulations, and approved "Plan of Operation", and any applicable "Notice to Lessees".

The operator will be fully responsible for the actions of its subcontractors. A copy of these conditions will be furnished to the field representatives to ensure compliance.

Bond coverage for the lease activities is being provided by McElvain Oil & Gas Properties' BLM Nationwide Bond #LPM4138223.

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill-site and access route, that I am familiar with the conditions which presently exist, that the statements made in this plan are, to the best of my knowledge and belief, true and correct, and that the work associated with the operation proposed herein will be performed by McElvain Oil and Gas Properties, Inc. and its contractors and subcontractors in conformity with this plan and terms and conditions with this plan and the terms and conditions under which it is approved.

Date July 26, 2006

McElvain Oil & Gas Properties, Inc.

A handwritten signature in black ink, appearing to read "Barbara Martin", written in a cursive style.

Barbara Martin
Engineer

**A CULTURAL RESOURCE INVENTORY OF THE CENTER FORK FEDERAL #17-2,
FAT TIRE FEDERAL #5-1, AND SINGLE TRACK #6-2 WELLS AND THEIR
ASSOCIATED ACCESS ROADS AND PIPELINES, IN UTAH COUNTY, UTAH**

by

Michael R. Polk
Principal Archaeologist

Prepared for:

McElvain Oil & Gas Properties, Inc.
1050 17th Street, Suite 1800
Denver, Colorado 80265

Prepared by:

Sagebrush Consultants, L.L.C.
3670 Quincy Avenue, Suite 203
Ogden, Utah 84403

(801) 394-0013 office

Under the Authority of Cultural Resource Use Permit No. 04UT54630

and

Under the Authority of Utah State Antiquities Permit No. U-05-SJ-0968bps

Cultural Resource Report No. 1442

January 26, 2006

INTRODUCTION

In August 2005, Rocky Mountain Consulting, Inc., of Vernal, Utah (RMC) requested that Sagebrush Consultants, L.L.C. (Sagebrush), on behalf of the McElvain Oil and Gas Properties, Inc. (McElvain), conduct a cultural resource inventory for three wells, Center Fork Federal #17-2, Fat Tire Federal #5-1 and Single Track #6-2 and their associated access roads and pipelines, in Uintah County, Utah. The purpose of this inventory is to identify cultural resource sites within the proposed project area.

The proposed wells and their associated access roads and pipelines include the following: T. 11S., R. 23E., Sec. 32, 33 and 34; T. 12S., R. 23E., Sec. 3, 4, 5 and 6; T. 12S., R. 24E., Sec. 8 and 17 on the USGS 7.5' Quadrangles Buck Camp Canyon, Utah (1968), Archy Bench SE, Utah (1968; P.R. 1987) and Rainbow, Utah (1968)(Figures 1-3). The footages for the three wells are as follows:

Center Fork Federal #17-2	T. 12S., R. 24E., Sec. 17	660' FNL 1979' FEL
Fat Tire Federal #5-1	T. 12S., R. 23E., Sec. 5	660' FNL 467' FEL
Single Track #6-2	T. 12S., R. 23E., Sec. 6	557' FNL 1788' FEL

The well pads and their associated access roads and pipelines lie on lands administered by the Bureau of Land Management (BLM), Vernal Field Office and the State of Utah School and Institutional Trust Lands Administration (SITLA). The cultural resource survey was completed by Michael R. Polk, LeAnn Schuster and Angela Garrison on September 15 and 16, 2005 under the authority of Cultural Resource Use Permit No. 04UT54630 and Utah State Antiquities Permit No. U-05-SJ-0968bps.

Prior to conducting fieldwork, a GIS file search for previously recorded cultural resource sites and projects conducted near the current project was completed through Kristen Jensen, of the Antiquities Section, Division of State History, Utah Historic Preservation Office (SHPO), in Salt Lake City, on August 30, 2005. Angela Garrison, of Sagebrush, conducted a file search at the SHPO on August 30, 2005. An additional agency file search was conducted by Michael R. Polk and LeAnn Schuster and Angela Garrison on September 15, 2005 at the BLM, Vernal Field Office. Sagebrush personnel also reviewed General Land Office (GLO) plat maps located in the Public Room of the BLM Utah State Office, Salt Lake City. The National Register of Historic Places (NRHP) was consulted prior to the commencement of fieldwork for the current project. No NRHP sites were found to be in the vicinity of the current project area.

Numerous cultural resource projects have been previously conducted in the vicinity of the current project, and one within the current project area. Due to the large number of projects conducted in this area, only the project located within the current project area will not be listed. Additionally, eleven cultural resource sites have been recorded within one mile of the current project area. Following are brief descriptions of this project and sites:

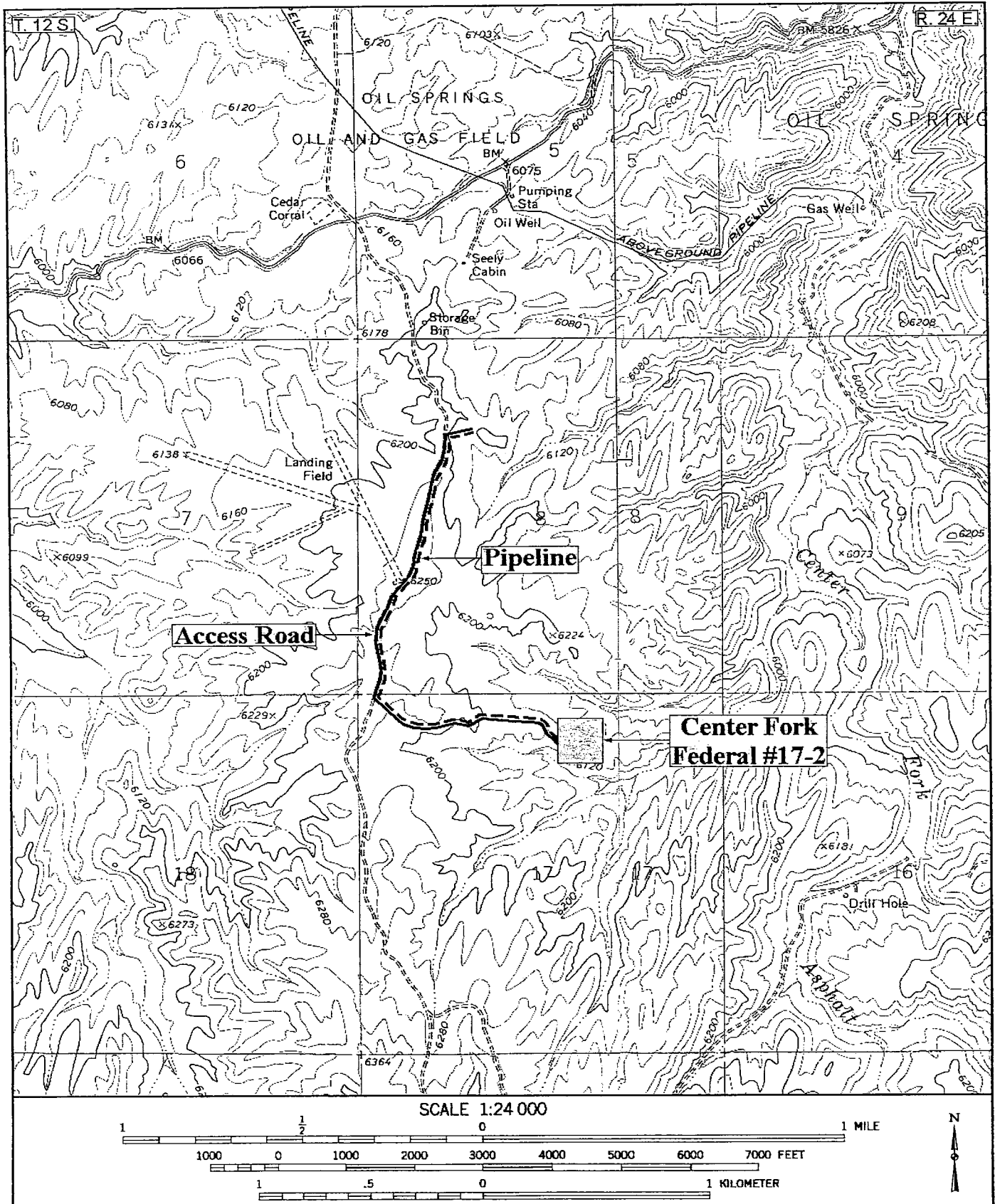


Figure 1. Location of proposed Center Fork Federal well #17-2 and its associated access road and pipeline. Taken from USGS 7.5' Quadrangle Archy Bench SE, Utah (1968; P.R. 1987) and Rainbow, Utah (1968).

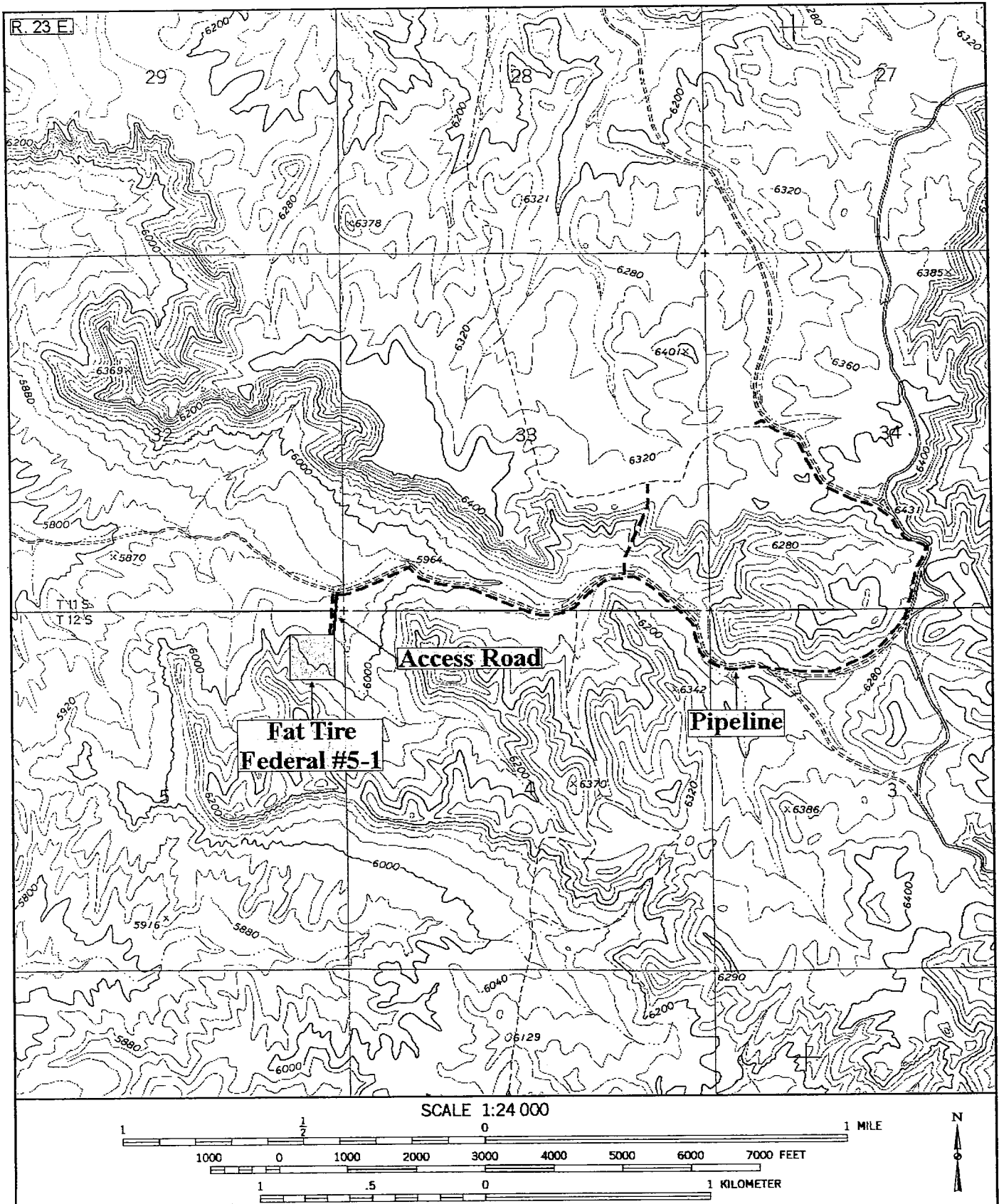


Figure 2. Location of proposed Fat Tire Federal well #5-1 and its associated access road and pipeline. Taken from USGS 7.5' Quadrangle Archy Bench SE, Utah (1968; P.R. 1987).

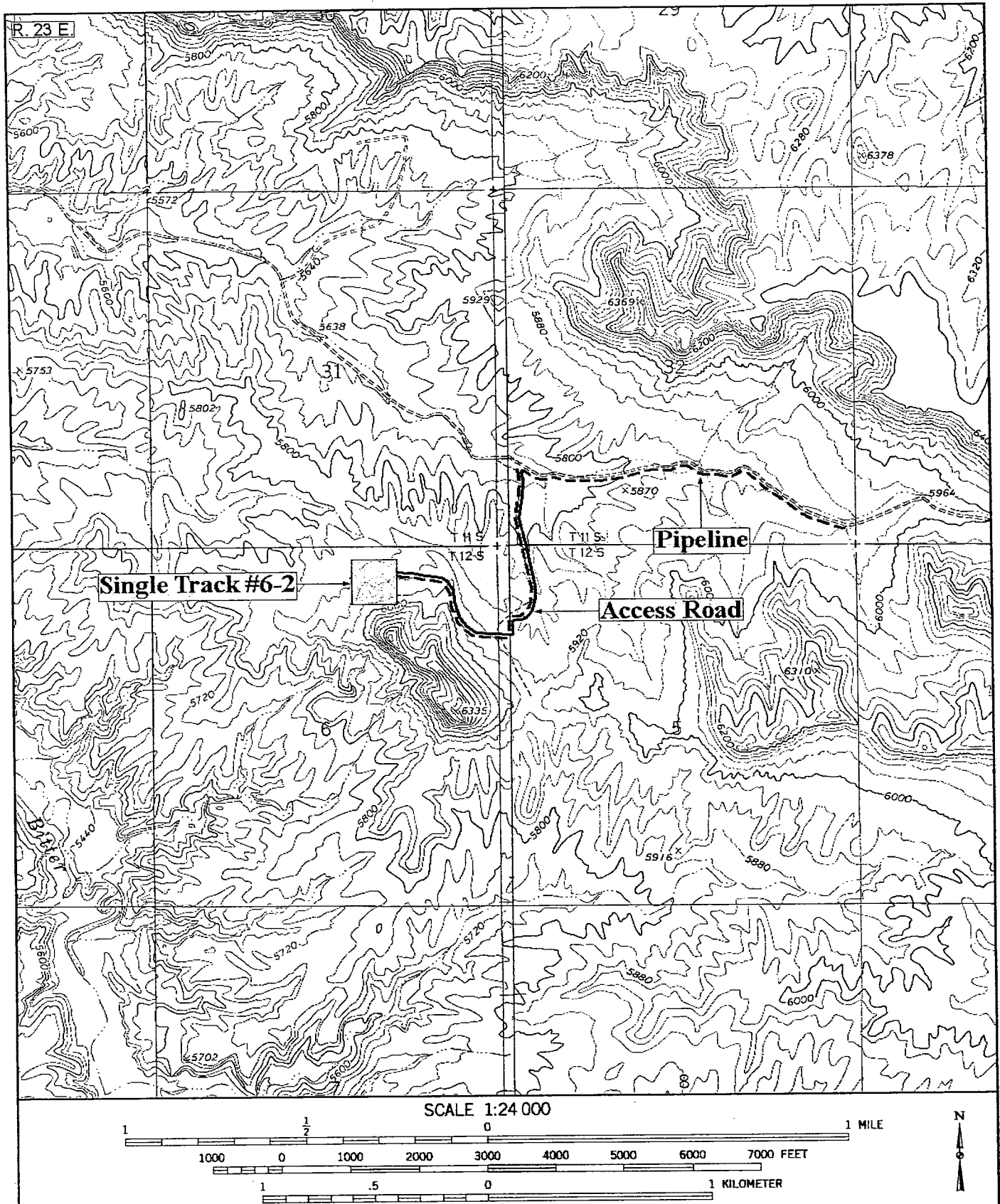


Figure 3. Location of proposed Single Track well #6-2 and its associated access road and pipeline. Taken from USGS 7.5' Quadrangle Buck Camp Canyon, Utah (1968) and Archy Bench SE, Utah (1968; P.R. 1987).

In 1998, Grand River Institute conducted a cultural resources survey for the Hanging Rock I Well Locations in Uintah County, Utah (Conner 1998). During this survey the well location of the Hanging Rock I #6-2 (currently names the Single Track #6-2) was surveyed. One cultural resources site, 42UN2581, was located on within this survey area.

Site 42UN2581. This site consists of a small prehistoric open camp located on a bench overlooking a tributary canyon to Bitter Creek. The site consists of a 1.5 m diameter area of ashy soil with charcoal, one projectile point base and five lithics. This site was recommended ELIGIBLE to the NRHP.

The remaining sites are described as follows:

Site 42Un2278. This site, located east of the West Fork of Asphalt Wash, is an historic trash scatter which is located near a modern sheep camp complex. This site was recommended NOT eligible to the NRHP.

Site 42Un2499. This site, located on an east-west trending ridge line, is an historic trash scatter/campsite. The site consists of one possible fire hearth and a scatter of historic trash. This site was recommended NOT eligible to the NRHP

Site 42Un2582. This site, located northeast of Bitter Creek, is a small prehistoric/historic Ute campsite locality. The site consists of the remains of two collapsed wickiup structures. This site was recommended ELIGIBLE to the NRHP.

Site 42Un2588. This site, located northeast of Bitter Creek, is an historic campsite locality. The site consists of a small historic trash scatter, three hearth features and two rock alignments. This site was recommended NOT eligible to the NRHP.

Site 42Un2602. This site, located near the point of a low finger ridge, is an historic trash scatter. The artifact assemblage consists of hole-in cap cans, tobacco tins, and fragments of one opalizing glass bottle and one amethyst bottle. This site was recommended NOT eligible to the NRHP.

Site 42Un2603. This site, located on the northeastern face of a low bench within a sparse stand of pinyon and juniper, is a Fremont campsite. The site consists of a low-density scatter of lithic and ceramic artifacts. Four lithic tools were observed including a large unifacial scraper, a utilized flake, and two biface fragments. Six coiled/corrugated Fremont ceramic sherds were also observed. This site was recommended ELIGIBLE to the NRHP.

Site 42Un2605. This site, located near the confluence of two long narrow valleys, consists of a series of panels containing historic inscriptions and prehistoric glyphs. Fremont, Basque and European American cultures are represented. Panels include

geometric, zoomorphic, and anthropomorphic figures. Historic inscriptions in block lettering and modern graffiti are also present. This site was recommended ELIGIBLE to the NRHP.

Site 42UN3046. This site, located under a sandstone overhang on a ridge, is a prehistoric rock shelter. Artifacts observed at the site include a projectile point, a projectile point fragment, a biface, a sandstone mano, and approximately 14 tertiary flakes. The back wall of the rock shelter has a series of parallel grooves. Although some vandalism and looting has occurred to the site, it was determined ELIGIBLE to the NRHP.

Site 42UN3087. This site is located on the top of a high ridge, is an historic trash scatter and possible encampment. Artifacts identified include cans (sanitary, tobacco, evaporated milk, and hole in cap), and several clear glass jar and bottle fragments. Features include two sandstone hearths and one tent platform identified as a distinct concentration of fifteen large flat sandstone slabs embedded into the ground and one axe cut juniper post. This site was recommended NOT eligible to the NRHP.

Site 42UN3088. This site is located along the south facing slope of a ridge, is an historic trash scatter and possible encampment. Artifacts identified include 28 cans (sanitary, hole in cap, and evaporated milk). One hearth feature was observed and consisted of a circular concentration of 12 sandstone rocks. This site was recommended NOT eligible to the NRHP.

No additional cultural resource sites have been recorded in the vicinity of the current project area. The NRHP was consulted prior to the commencement of fieldwork for the current project. No NRHP sites were found to be in the vicinity of the current project area.

ENVIRONMENT

The project area lies in the dissected tablelands south of the White River near the Rainbow and Buck Canyon Gas Fields. The elevation of the areas surveyed range from between 5800 and 6360 feet a.s.l. Sediments consist of tan to light reddish brown sandy silt. Vegetation in the higher elevations covers approximately 30 percent of the ground surface and consists of pinyon-juniper community species including ephedra, yucca, juniper, pinyon pine, mountain mahogany and cactus. Vegetation in the lower elevations covers approximately 30 percent of the ground surface and consists of pinyon-juniper community species including sagebrush, greasewood, cactus, spiny hopsage, pinyon pine and juniper. The nearest significant permanent water source is the White River which is located approximately 9.5 miles north of the proposed well locations. Numerous seasonal drainages and washes are present throughout the general

vicinity. Natural disturbance in the area consists of arroyo cutting, sheetwash and aeolian erosion. Cultural disturbance includes existing well pad locations and access roads, pipelines, and sheep and cattle grazing.

METHODOLOGY

An intensive cultural resource inventory was carried out for the proposed McElvain wells Center Fork Federal #17-2, Fat Tire Federal #5-1, and Single Track #6-2, and their associated access roads and pipelines. The project areas consist of three 40,469 m² (10 ac) parcels of land, each measuring 201-by-201 m (660-by-660 ft) centered on their proposed well heads, and 8980 m (5.58 miles) of proposed access road and pipeline corridors. The well locations, access roads and pipelines were inventoried in parallel transects spaced no more than 15 m (50 ft) apart. Where access roads and pipelines paralleled each other a corridor width of 45 m (150 ft) was surveyed. In instances where a pipeline or access road was alone, a corridor of 30 m (10 ft) was surveyed. A total of 42.66 ha (105.41 ac) were surveyed on BLM administered lands and 6.65 ha (16.45 ac) were surveyed on SITLA lands for a grand total of 49.31 ha (121.86 ac).

RESULTS

A cultural resource inventory was carried out for the proposed McElvain wells Center Fork Federal #17-2, Fat Tire Federal #5-1, and Single Track #6-2, and their associated access roads and pipelines. One previously recorded site, 42UN2581, was located on the well pad for Single Track #6-2. This site consists of a small prehistoric open camp located on a bench overlooking a tributary canyon to Bitter Creek. The site consists of a 1.5 m diameter area of ashy soil with charcoal, one projectile point base and five lithics. This site was recommended ELIGIBLE to the NRHP. After an exhaustive search of the area, this site was not found during the current inventory. The area is highly eroded and deflated, and a single, shallow hearth with minimal lithics could have easily been eliminated due to these natural disturbances. No new cultural resources were located during this inventory.

RECOMMENDATIONS

No cultural resource sites were located during the inventory for the proposed McElvain wells Center Fork Federal #17-2, Fat Tire Federal #5-1, and Single Track #6-2, and their associated access roads and pipelines. Cultural resource clearance is recommended for the

project areas. This investigation was conducted with techniques which are considered to be adequate for evaluating cultural resources which could be adversely affected by the project.

However, should cultural resources be discovered on state land during construction, a report should be made immediately to the SITLA Archaeologist in Salt Lake City. If any cultural resources are found on BLM land during construction, a report should be made immediately to the BLM Archaeologist at the Vernal Field Office in Vernal, Utah.

REFERENCE CITED

Conner, Carl E.

2002 *Cultural Resource Inventory Report on Four Proposed Hanging Rock I Well Locations, Related Accesses and Pipeline Routes in Uintah County, Utah for Rosewood Resources, Inc.* Grand River Institute Report No. 9848, Grand Junction, Colorado.

McELVAIN OIL & GAS PROP., INC.
CENTER FORK FEDERAL #17-2
LOCATED IN UINTAH COUNTY, UTAH
SECTION 17, T12S, R24E, S.L.B.&M.



PHOTO: VIEW FROM CORNER #5 TO LOCATION STAKE

CAMERA ANGLE: NORTHWESTERLY



PHOTO: VIEW FROM BEGINNING OF PROPOSED ACCESS

CAMERA ANGLE: EASTERLY



- Since 1964 -

UELS Uintah Engineering & Land Surveying
85 South 200 East Vernal, Utah 84078
435-789-1017 uels@uelsinc.com

LOCATION PHOTOS

07 13 05
MONTH DAY YEAR

PHOTO

TAKEN BY: J.F.

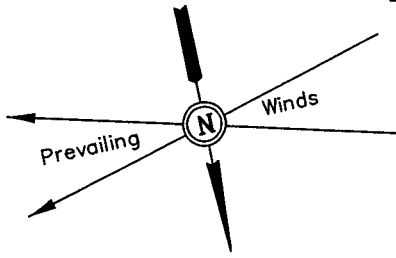
DRAWN BY: C.P.

REVISED: 00-00-00

McELVAIN OIL & GAS PROP., INC.

LOCATION LAYOUT FOR

CENTER FORK FEDERAL #17-2
SECTION 17, T12S, R24E, S.L.B.&M.
660' FNL 1979' FEL



SCALE: 1" = 50'
DATE: 7-14-05
Drawn By: K.G.
Revised: 7-13-06

C-2.0'
El. 57.9'

Topsoil Stockpile

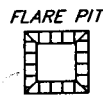
Proposed Access Road

F-7.8'
El. 48.1'

Sta. 3+45

F-2.1'
El. 53.8'

Approx.
Top of
Cut Slope



C-6.5'
El. 62.4'

El. 50.3'
C-4.4'
(btm. pit)

Reserve Pit Backfill
& Spoils Stockpile

10' WIDE BENCH/DIKE
SLOPE 1 1/2 : 1

RESERVE PITS
(10' Deep)

Sta. 0+45

70'

Total Pit Capacity
W/2' of Freeboard
= 9,480 Bbbs. ±
Total Pit Volume
= 2,700 Cu. Yds.

El. 61.6'
C-15.7'
(btm. pit)

C-7.9'
El. 63.8'

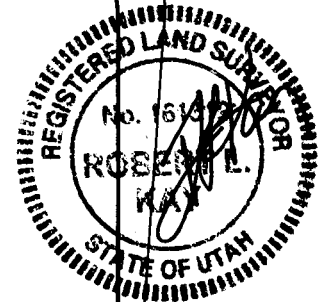
C-6.7'
El. 62.6'

Topsoil Stockpile

C-1.8'
El. 57.7'

Round Corners
as Needed

Sta. 0+00



F-2.5'
El. 53.4'

Approx.
Toe of
Fill Slope

TOILET

FUEL

STORAGE
TANK

F-19.7'
El. 36.2'

Elev. Ungraded Ground at Location Stake = 6162.5'
Elev. Graded Ground at Location Stake = 6155.9'

UINTAH ENGINEERING & LAND SURVEYING
85 So. 200 East * Vernal, Utah 84078 * (435) 789-1017

McELVAIN OIL & GAS PROP., INC.

TYPICAL CROSS SECTIONS FOR

**CENTER FORK FEDERAL #17-2
SECTION 17, T12S, R24E, S.L.B.&M.**

660' FNL 1979' FEL

1" = 20'

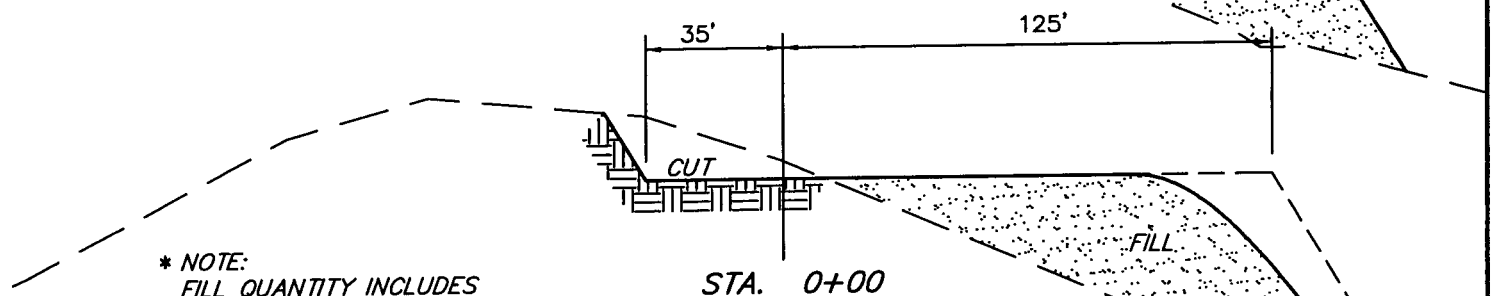
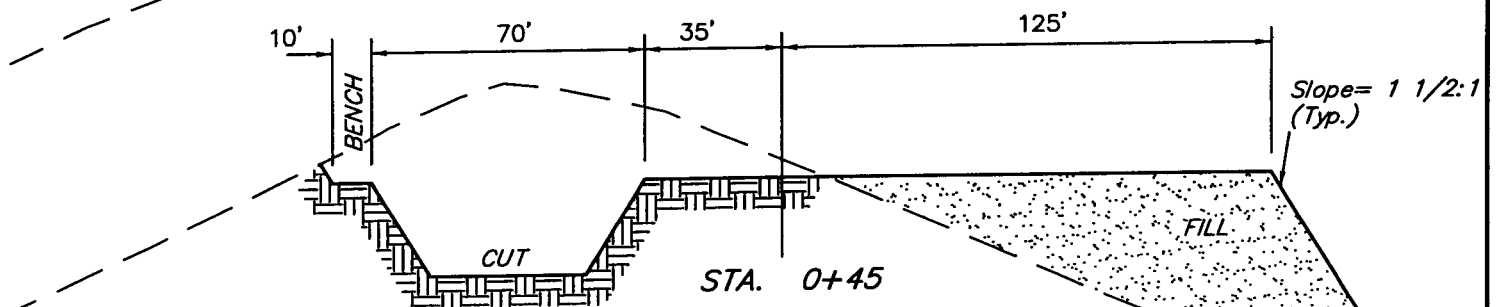
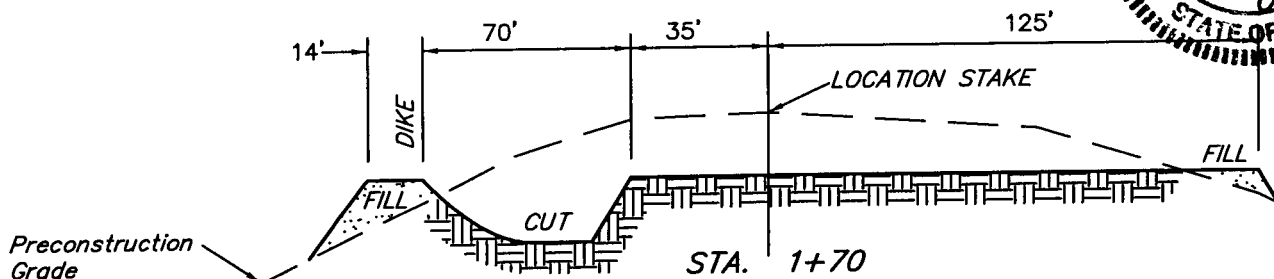
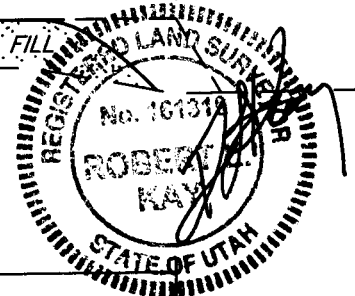
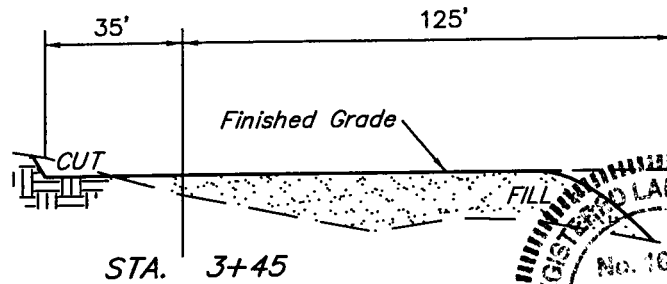
X-Section
Scale

1" = 50'

DATE: 7-14-05

Drawn By: K.G.

Revised: 7-13-06



* NOTE:
FILL QUANTITY INCLUDES
5% FOR COMPACTION

APPROXIMATE YARDAGES

CUT

(6") Topsoil Stripping = 1,570 Cu. Yds.

Remaining Location = 10,070 Cu. Yds.

TOTAL CUT = 11,640 CU.YDS.

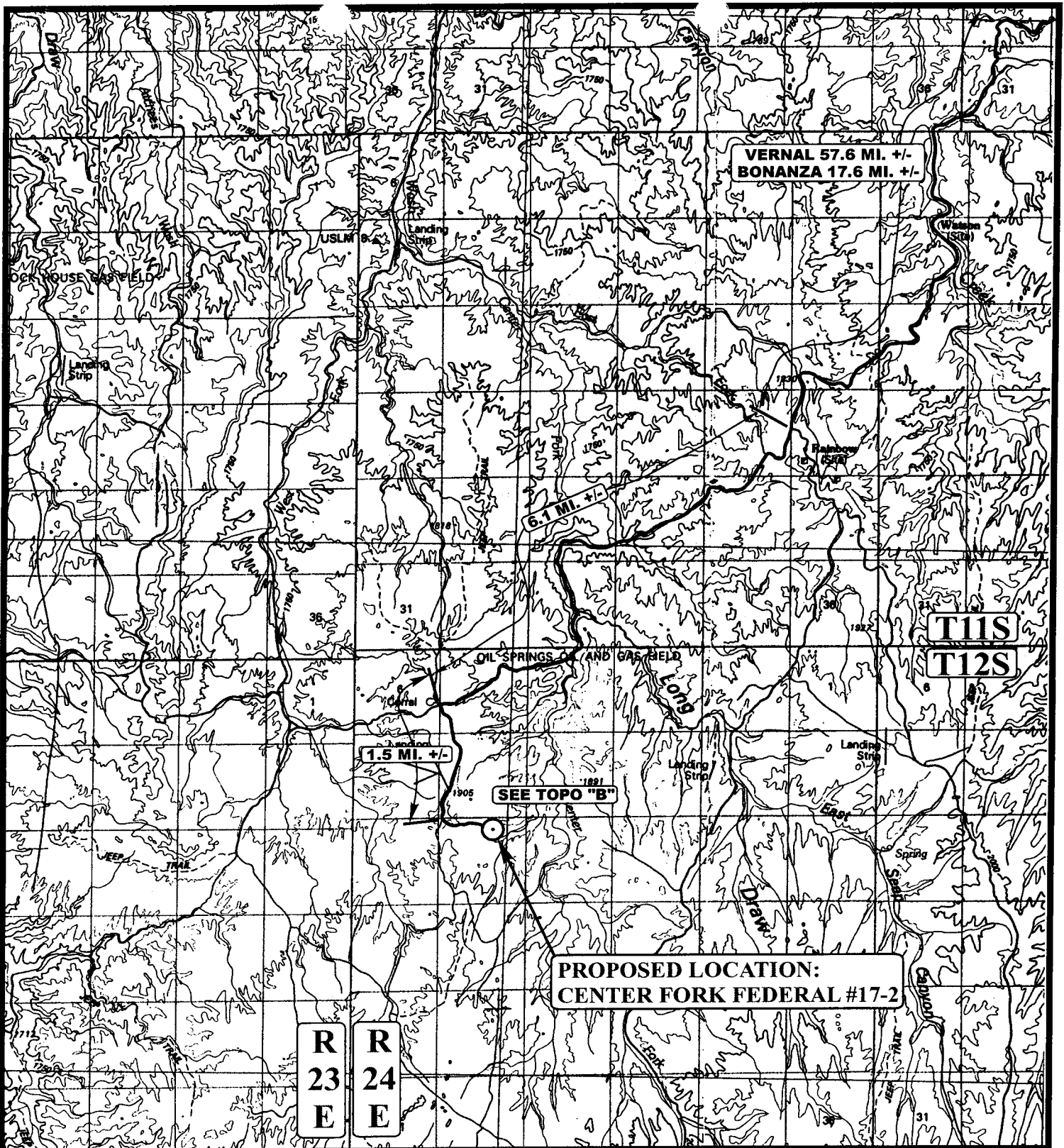
FILL = 8,720 CU.YDS.

Excess Material = 2,920 Cu. Yds.

Topsoil & Pit Backfill (1/2 Pit Vol.) = 2,920 Cu. Yds.

EXCESS UNBALANCE (After Rehabilitation) = 0 Cu. Yds.

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85 So. 200 East * Vernal, Utah 84078 * (435) 789-1017



LEGEND:

○ PROPOSED LOCATION

N



McELVAIN OIL & GAS PROP., INC.

CENTER FORK FEDERAL #17-2
SECTION 17, T12S, R24E, S.L.B.&M.
660' FNL 1979' FEL



Utah Engineering & Land Surveying
 85 South 200 East Vernal, Utah 84078
 (435) 789-1017 * FAX (435) 789-1813

TOPOGRAPHIC
MAP

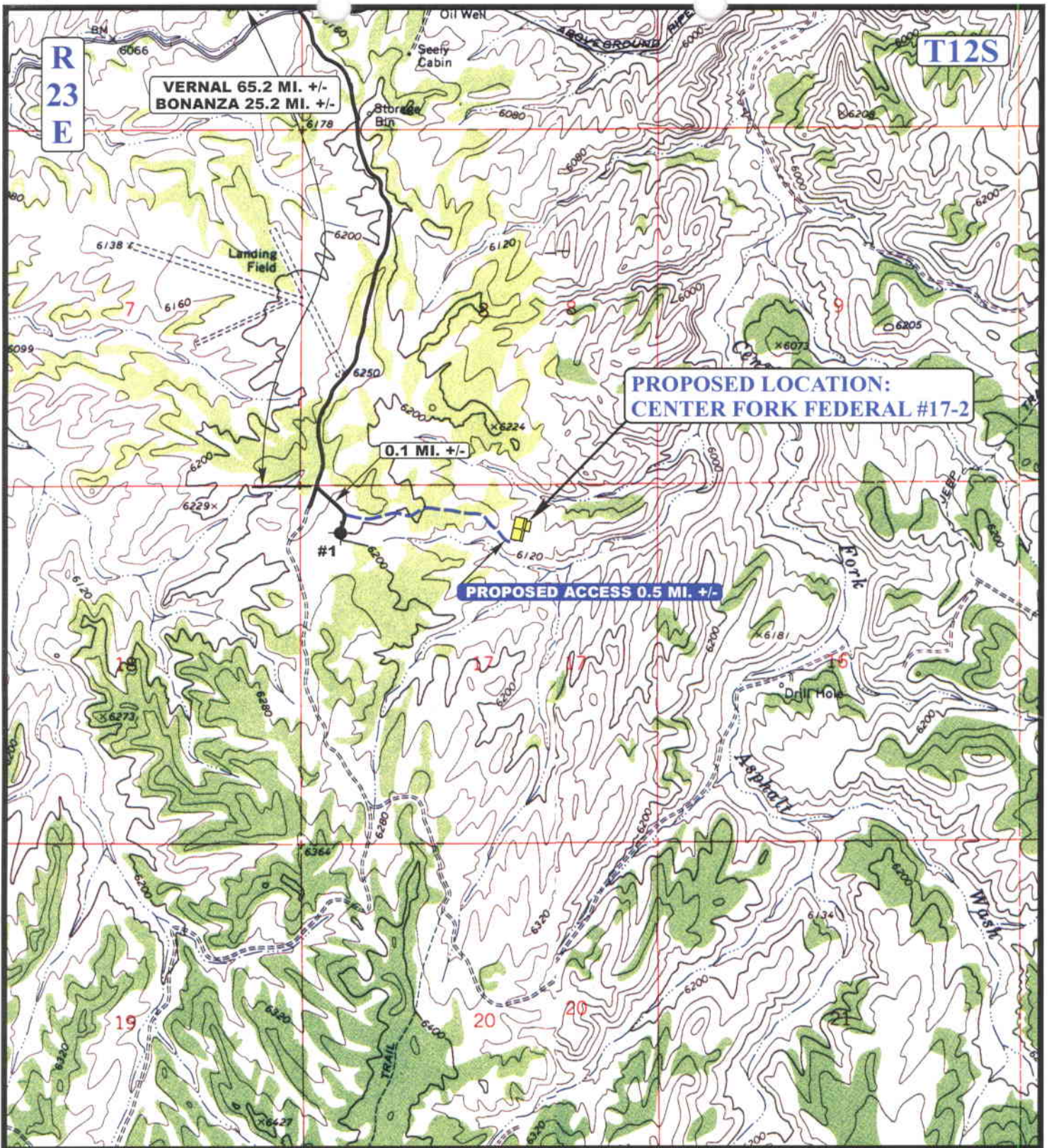
07 **13** **05**
 MONTH DAY YEAR

SCALE: 1:100,000

DRAWN BY: C.P.

REVISED: 00-00-00





LEGEND:

EXISTING ROAD
 PROPOSED ACCESS ROAD

McELVAIN OIL & GAS PROP., INC.

CENTER FORK FEDERAL #17-2
 SECTION 17, T12S, R24E, S.L.B.&M.
 660' FNL 1979' FEL



Uintah Engineering & Land Surveying
 85 South 200 East Vernal, Utah 84078
 (435) 789-1017 * FAX (435) 789-1813

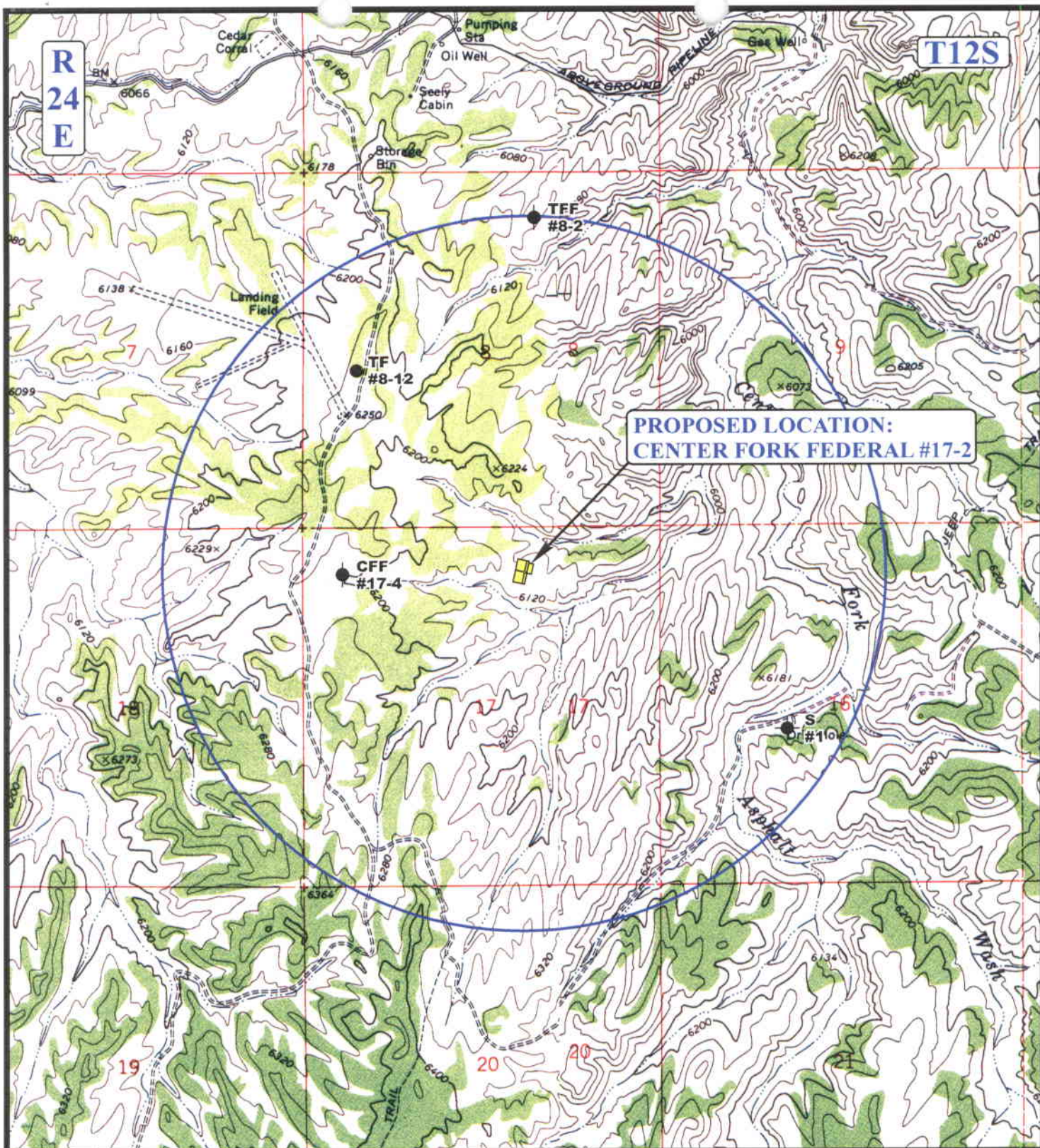


TOPOGRAPHIC
 MAP

07 13 05
 MONTH DAY YEAR

SCALE: 1" = 2000' DRAWN BY: C.P. REVISED: 00-00-00





LEGEND:

- DISPOSAL WELLS
- PRODUCING WELLS
- SHUT IN WELLS
- WATER WELLS
- ABANDONED WELLS
- TEMPORARILY ABANDONED

McELVAIN OIL & GAS PROP., INC.

CENTER FORK FEDERAL #17-2
SECTION 17, T12S, R24E, S.L.B.&M.

660' FNL 1979' FEL



Uintah Engineering & Land Surveying
 85 South 200 East Vernal, Utah 84078
 (435) 789-1017 * FAX (435) 789-1813

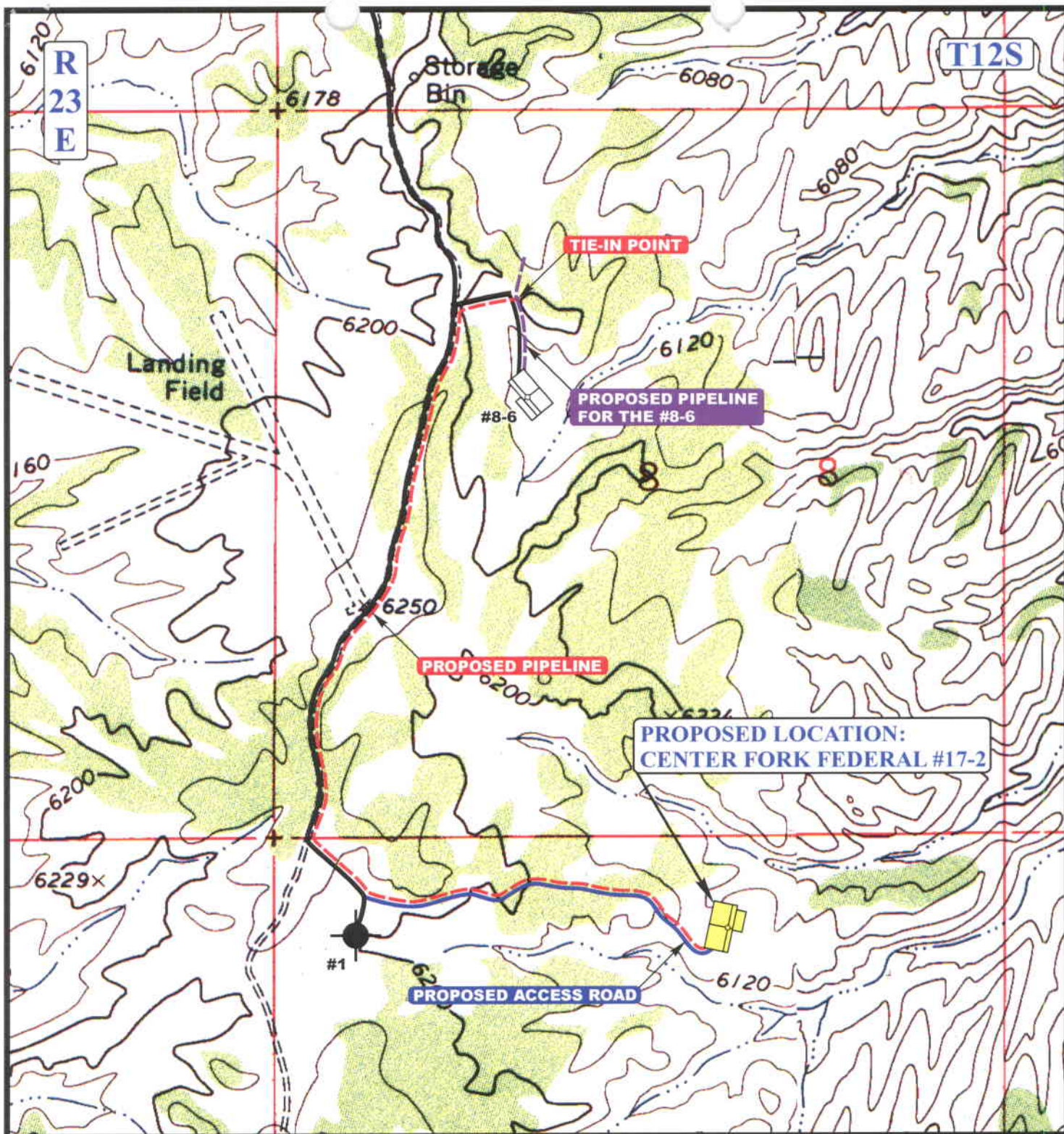


TOPOGRAPHIC
MAP

07 **13** **05**
 MONTH DAY YEAR

SCALE: 1" = 2000' DRAWN BY: C.P. REVISED: 00-00-00





APPROXIMATE TOTAL PIPELINE DISTANCE = 7,600' +/-

LEGEND:

- PROPOSED ACCESS ROAD
- PROPOSED PIPELINE
- PROPOSED PIPELINE (SERVICING OTHER WELLS)



McELVAIN OIL & GAS PROP., INC.

CENTER FORK FEDERAL #17-2
SECTION 17, T12S, R24E, S.L.B.&M.
660' FNL 1979' FEL



Uintah Engineering & Land Surveying
85 South 200 East Vernal, Utah 84078
(435) 789-1017 * FAX (435) 789-1813

TOPOGRAPHIC
MAP

07 13 05
MONTH DAY YEAR

SCALE: 1" = 1000' DRAWN BY: C.P. REVISED: 00-00-00



WORKSHEET
APPLICATION FOR PERMIT TO DRILL

APD RECEIVED: 07/31/2006

API NO. ASSIGNED: 43-047-38425

WELL NAME: CENTER FORK FED 17-2

OPERATOR: MCELVAIN OIL & GAS (N2100)

CONTACT: BARBARA MARTIN

PHONE NUMBER: 303-893-0933

PROPOSED LOCATION:

NWNE 17 120S 240E

SURFACE: 0660 FNL 1979 FEL

BOTTOM: 0660 FNL 1979 FEL

COUNTY: UINTAH

LATITUDE: 39.78040 LONGITUDE: -109.2517

UTM SURF EASTINGS: 649722 NORTHINGS: 4404637

FIELD NAME: OIL SPRINGS (635)

INSPECT LOCATN BY: / /

Tech Review

Initials

Date

Engineering

Geology

Surface

LEASE TYPE: 1 - Federal

LEASE NUMBER: UTU-75206

SURFACE OWNER: 1 - Federal

PROPOSED FORMATION: MVRD

COALBED METHANE WELL? NO

RECEIVED AND/OR REVIEWED:

☒ Plat

☒ Bond: Fed[1] Ind[] Sta[] Fee[]
(No. LPM 4138223)

☒ Potash (Y/N)

☒ Oil Shale 190-5 (B) or 190-3 or 190-13

☒ Water Permit

(No. 49-1547)

☒ RDCC Review (Y/N)

(Date: _____)

☒ Fee Surf Agreement (Y/N)

☒ Intent to Commingle (Y/N)

LOCATION AND SITING:

R649-2-3.

Unit: _____

☒ R649-3-2. General

Siting: 460 From Qtr/Qtr & 920' Between Wells

R649-3-3. Exception

Drilling Unit

Board Cause No: _____

Eff Date: _____

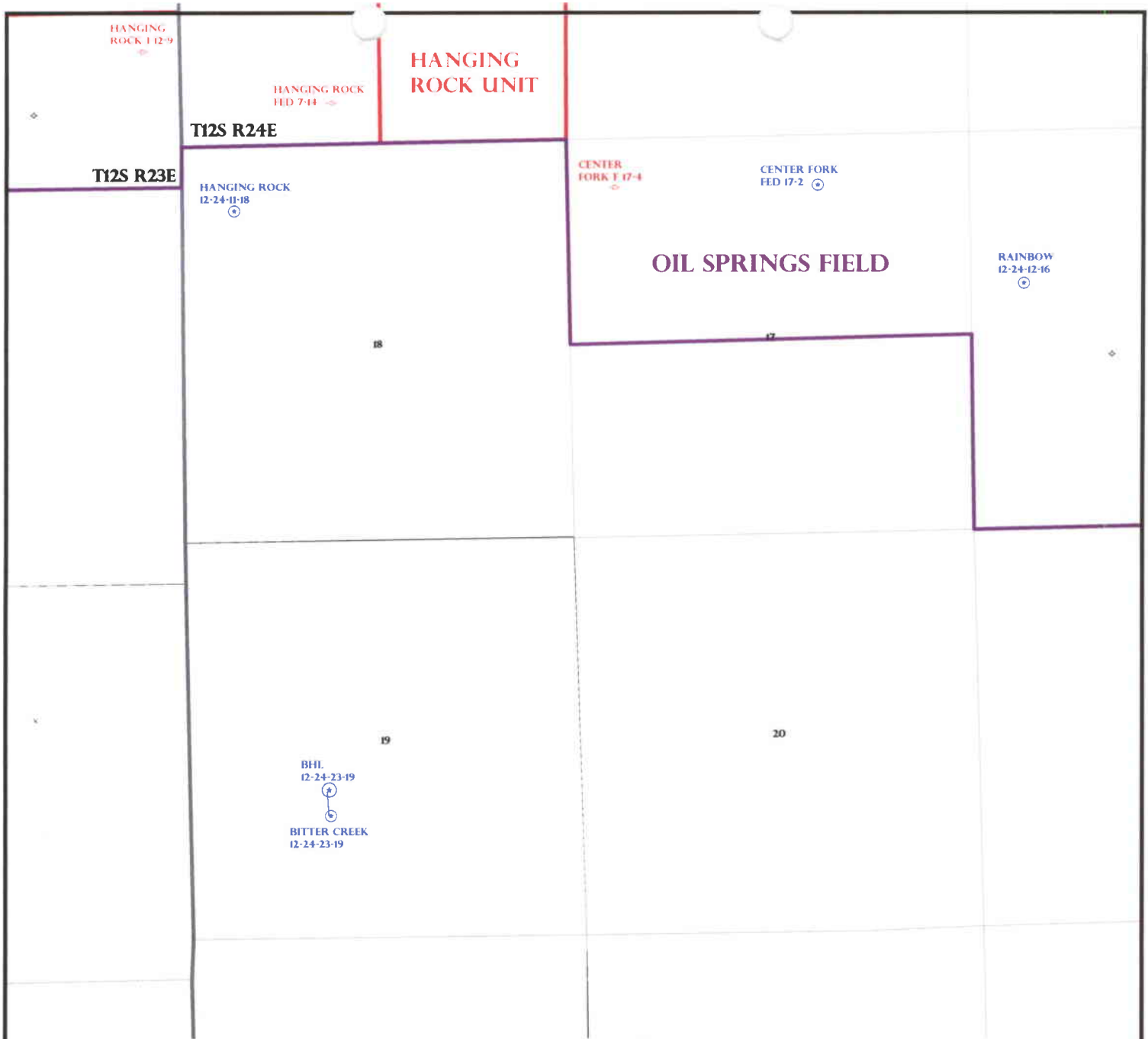
Siting: _____

R649-3-11. Directional Drill

COMMENTS: _____

STIPULATIONS: _____

1- Federal Approval
2- Spacing Shp



OPERATOR: MCELVAIN O&G PROP (N2100)

SEC: 17 T.12S R. 24E

FIELD: OIL SPRINGS (635)

COUNTY: UINTAH

SPACING: R649-3-2 / GENERAL SITING

Field Status

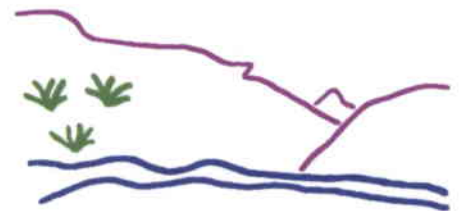
- ABANDONED
- ACTIVE
- COMBINED
- INACTIVE
- PROPOSED
- STORAGE
- TERMINATED

Unit Status

- EXPLORATORY
- GAS STORAGE
- NF PP OIL
- NF SECONDARY
- PENDING
- PI OIL
- PP GAS
- PP GEOTHERML
- PP OIL
- SECONDARY
- TERMINATED

Wells Status

- GAS INJECTION
- GAS STORAGE
- LOCATION ABANDONED
- NEW LOCATION
- PLUGGED & ABANDONED
- PRODUCING GAS
- PRODUCING OIL
- SHUT-IN GAS
- SHUT-IN OIL
- TEMP. ABANDONED
- TEST WELL
- WATER INJECTION
- WATER SUPPLY
- WATER DISPOSAL
- DRILLING



Utah Oil Gas and Mining



PREPARED BY: DIANA WHITNEY
DATE: 11-AUGUST-2006



State of Utah

Department of Natural Resources

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas & Mining

JOHN R. BAZA
Division Director

JON M. HUNTSMAN, JR.
Governor

GARY R. HERBERT
Lieutenant Governor

August 14, 2006

McElvain Oil & Gas Properties, Inc.
1050 17th Street, Suite 1800
Denver, CO 80265

Re: Center Fork Federal 17-2 Well, 660' FNL, 1979' FEL, NW NE, Sec. 17,
T. 12 South, R. 24 East, Uintah County, Utah

Gentlemen:

Pursuant to the provisions and requirements of Utah Code Ann. § 40-6-1 *et seq.*, Utah Administrative Code R649-3-1 *et seq.*, and the attached Conditions of Approval, approval to drill the referenced well is granted.

This approval shall expire one year from the above date unless substantial and continuous operation is underway, or a request for extension is made prior to the expiration date. The API identification number assigned to this well is 43-047-38425.

Sincerely,

Gil Hunt
Associate Director

pab
Enclosures

cc: Uintah County Assessor
Bureau of Land Management, Vernal District Office

Operator: McElvain Oil & Gas Properties, Inc.
Well Name & Number Center Fork Federal 17-2
API Number: 43-047-38425
Lease: UTU-75206

Location: NW NE **Sec.** 17 **T.** 12 South **R.** 24 East

Conditions of Approval

1. General

Compliance with the requirements of Utah Admin. R. 649-1 *et seq.*, the Oil and Gas Conservation General Rules, and the applicable terms and provisions of the approved Application for permit to drill.

2. Notification Requirements

Notify the Division within 24 hours of spudding the well.

- Contact Carol Daniels at (801) 538-5284.

Notify the Division prior to commencing operations to plug and abandon the well.

- Contact Dan Jarvis at (801) 538-5338

3. Reporting Requirements

All required reports, forms and submittals will be promptly filed with the Division, including but not limited to the Entity Action Form (Form 6), Report of Water Encountered During Drilling (Form 7), Weekly Progress Reports for drilling and completion operations, and Sundry Notices and Reports on Wells requesting approval of change of plans or other operational actions.

4. State approval of this well does not supersede the required federal approval, which must be obtained prior to drilling.

5. This proposed well is located in an area for which drilling units (well spacing patterns) have not been established through an order of the Board of Oil, Gas and Mining (the "Board"). In order to avoid the possibility of waste or injury to correlative rights, the operator is requested, once the well has been drilled, completed, and has produced, to analyze geological and engineering data generated therefrom, as well as any similar data from surrounding areas if available. As soon as is practicable after completion of its analysis, and if the analysis suggests an area larger than the quarter-quarter section upon which the well is located is being drained, the operator is requested to seek an appropriate order from the Board establishing drilling and spacing units in conformance with such analysis by filing a Request for Agency Action with the Board.

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No. 1004-0137
Expires: March 31, 2007

SUNDRY NOTICES AND REPORTS ON WELLS
Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

5. Lease Serial No.
UTU-75206

6. If Indian, Allottee or Tribe Name
N/A

SUBMIT IN TRIPLICATE – Other instructions on page 2.

1. Type of Well

☐ Oil Well ☒ Gas Well ☐ Other

2. Name of Operator
McElvain Oil & Gas Properties, Inc.

7. If Unit of CA/Agreement, Name and/or No.
N/A

8. Well Name and No.
Center Fork Federal #17-2

9. API Well No.
43-047-38425

3a. Address
1050 17th Street, Suite 1800, Denver, CO 80265

3b. Phone No. (include area code)
(303) 893-0933

10. Field and Pool or Exploratory Area
Oil Springs

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
660' FNL & 1979' FEL (NWNE) Sec. 17, T12S-R24E SLM & B

11. Country or Parish, State
Utah County, Utah

12. CHECK THE APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input checked="" type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other <u>APD Change of Plans</u>
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation: Clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports must be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 must be filed once testing has been completed. Final Abandonment Notices must be filed only after all requirements, including reclamation, have been completed and the operator has determined that the site is ready for final inspection.)

McElvain Oil & Gas Properties, Inc. would like to make a change of plans on the APD for the Center Fork Federal #17-2 (API# 43-047-38425) located in the NWNE of Sec. 17, T12S-R24E of Uintah County, Utah. The pipeline route was changed. We will be performing the work with BLM Bond #LPM4138223 (Nationwide Bond). Attached is the revised surface plan and survey plat pages of the pipeline.

**Accepted by the
Utah Division of
Oil, Gas and Mining
FOR RECORD ONLY**

**RECEIVED
MAY 29 2007**

14. I hereby certify that the foregoing is true and correct.

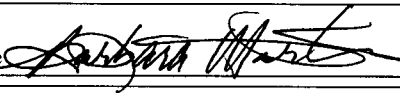
Name (Printed/Typed)

Barbara Martin

DIV. OF OIL, GAS & MINING

Title Engineer

Signature



Date 05/25/2007

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

Title

Date

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Office

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Instructions on page 2)

McELVAIN OIL AND GAS PROPERTIES, INC.

**13 POINT SURFACE USE PLAN
Revision 5-24-07**

Center Fork Federal #17-2

NW $\frac{1}{4}$ NE $\frac{1}{4}$

SEC. 17, T12S-R24E, S.L.B.&M.

UINTAH COUNTY, UTAH

LEASE NUMBER: UTU-75206

**SURFACE MANAGER/OWNER:
BUREAU OF LAND MANAGEMENT**

3. Location of existing wells

The following wells are located within a one mile radius of the location site.

A) Water well	None
B) Abandoned well	None
C) Temp. abandoned well	None
D) Disposal well	None
E) Drilling/Permitted well	One (Rainbow 12-24-12-16)
F) Producing well	Three (TF #8-2, TFF #8-2, State #1)
G) Shut in well	Two (CFF #17-4)
H) Injection well	None
I) Monitoring or observation well	None

Please see the attached map C Topo for additional details.

4. Location of tank batteries, production facilities, and production gathering service lines.

A) Production Facility

All production facilities will be contained within the proposed location site. Please see the attached plan for a typical gas well equipment and pipe lay-out.

All permanent structures (on site for six month or longer), constructed or installed, will be painted a flat, non-reflective, earth-tone color to match one of the standard environmental colors. Facilities required to comply with O.S.H.A. (Occupational Safety and Health Act) will be excluded.

All tanks will be surrounded by a dike of sufficient capacity to contain the storage capacity of the largest tank in the battery. The integrity of the dike will be maintained.

If the well is capable of economic production, a gas gathering line will be required.

B) Gas Gathering Line

We propose to install approximately 6,000 feet (3,400 feet ON-LEASE and 2,600 ft OFF-LEASE) of steel gas gathering line if an economic well is drilled and completed. Construction of the gathering line will start at the Center Fork Federal #17-2 well site location and lie above ground heading North West along the Northern edge of the new access road. The pipe line will require a underground county road crossing and then follow the road above ground along the road's Western side for approximately 2600 feet to the Tucker Federal #8-12 we it will tie-in.

Please see map D for gathering line location.

The gathering line will require an off lease right-of-way.

The line will be a 3-4" steel line, depending on the anticipated well deliverability.

Max operating pressure will be 500 psi.

The operating temperature of the gathering system will reflect the daily ambient temperature of the area.

At this time, there are no plans for on-site compression or pumping stations.

The gathering line will not be hydrostatically tested.

The pipe line will be removed when there is no continuing need for this gathering line. Prior to removing the line, an onsite will be held with the BLM to insure that the removal and reclamation will conform to all applicable BLM regulations and requirements.

The pipeline will be laid and utilized above ground, except for the underground county road crossing. The following are reasons for above ground installation:

- A) This area would require blasting to bury the pipeline.
- B) Buried pipeline are subject to corrosion over time which in return requires the pipeline to be dug up for repair and/or maintenance.

Both of these reasons would create additional surface disturbance to bury the pipeline. In addition, when the location is reclaimed the buried pipeline will be required to be dug up and removed. If pipeline is laid above ground it would allow for maintenance and removal with minimal surface disturbance.

There will be minimal surface disturbances required for the installation of a gathering line. The pipeline will be welded together and pulled from the well-site location and tie-in points when practical, although it will likely be necessary to utilize small segments of the access road for some of the pipe line welding. The line will then be boomed off to the side of the road.

A gas meter will be located within 500' of the well head. The gas line will be buried or anchored down from the well head to the meter. Meter runs will be housed and/or fenced.

The gas meter will be calibrated and the production tank(s) strapped in place prior to any sales deliveries from the well. All measurement facilities will conform to API (American Petroleum Institute) and AGA (American Gas Association) standards for gas and liquid hydrocarbon measurement.

5. Location and type of water supply

Water for drilling and cementing the subject well will fresh water and will be trucked by contractor Tu & Frum, Inc. Depending on road conditions, water will be trucked from: Rose Wood Resources flowing water well, Well #5A, in Section 24 T11S-R23E, water permit number 49-1547, and/or Willow Creek, 30 miles southwest of Vernal in Sec. 29, T12S-R21E, permit #T-75377, and/or the White River in Sec. 23, T10S-R23E, permit #T-75517. Completion water will come from the same supply or from the City of Vernal, Utah.

6. Source of construction materials

All construction material for this location site and access road shall be borrowed material accumulated during construction of the location site and access road. Additional road gravels or pit lining material will be obtained from private sources.

7. Methods for handling waste disposal**A) Pit construction and liners:**

The reserve pit will be approximately 8 to 10 feet deep and most of the depth shall be below the surface of the existing ground. Please see the attached plat for details.

The reserve pit will not be lined unless the pit is blasted or soil conditions warrant a pit liner.

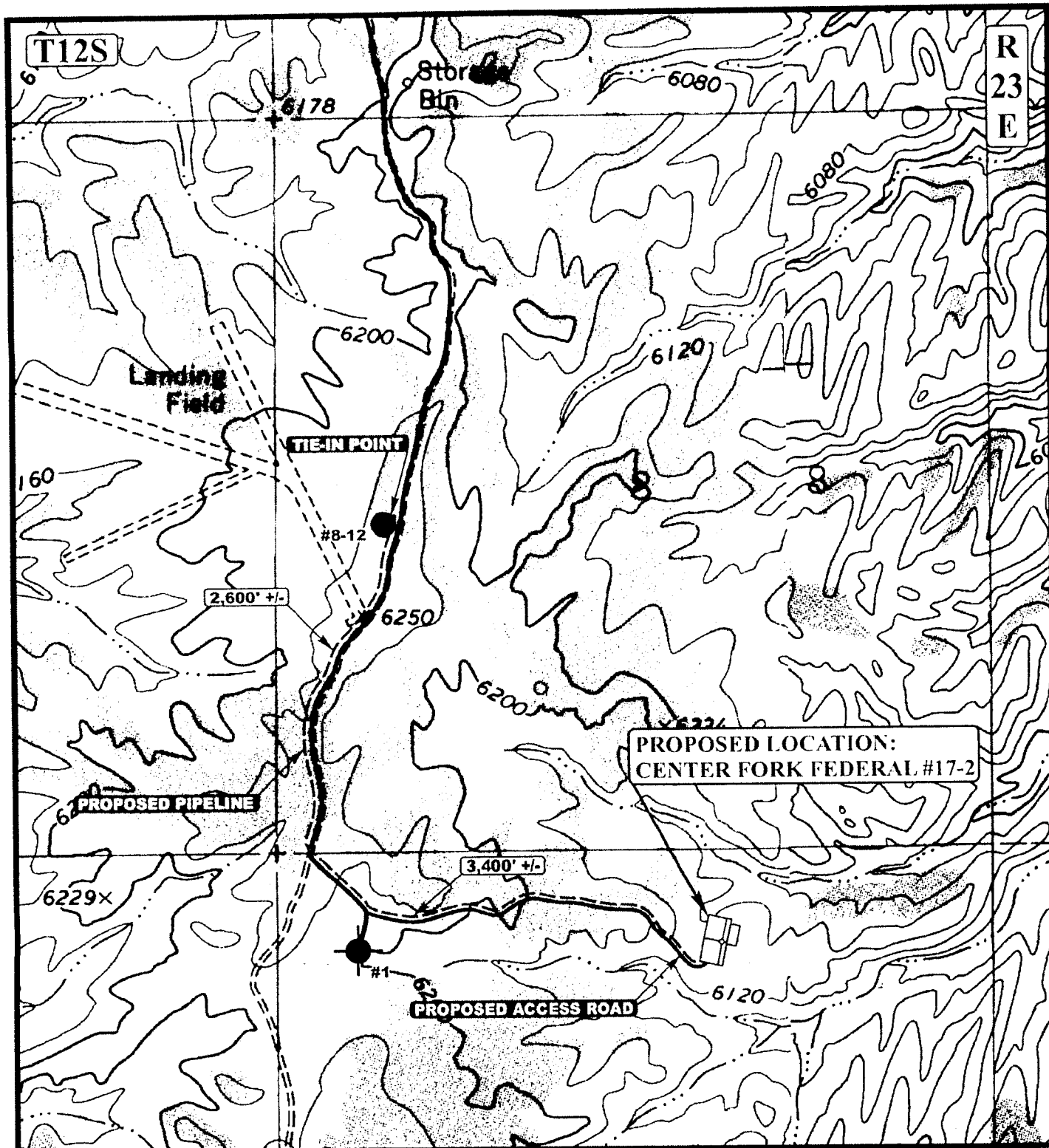
If a plastic liner is required by the BLM or used by the operator, it will be a nylon reinforced liner. It will be a minimum of 16 mil thickness with sufficient bedding (i.e. weed free straw or hay, felt, or soil) to cover any rocks. The liner will overlap the pit walls and be covered with dirt and/or rock to hold it in place. No trash, scrap pipe, etc., that could puncture the liner will be disposed of in the pit.

The pit will be used to hold non-flammable materials such as drilling make-up water, drill cuttings, salt, drilling fluids, chemicals, produced fluids, etc.

B) Produced fluids

Produced water will be confined to the reserve pit, or if deemed necessary, a steel storage tank will be utilized for water storage for a period not to exceed 90 days after initial production. Produced water accumulated after the initial production and testing period will be stored in steel tank(s) before truck removal to an authorized disposal pit or injection well.

C) Garbage



APPROXIMATE TOTAL PIPELINE DISTANCE = 6,000' +/-

LEGEND:

- PROPOSED ACCESS ROAD
- EXISTING PIPELINE
- PROPOSED PIPELINE

N

McELVAIN OIL & GAS PROP., INC.

CENTER FORK FEDERAL #17-2
SECTION 17, T12S, R24E, S.L.B.&M.
 660' FNL 1979' FEL



Utah Engineering & Land Surveying
 85 South 200 East Vernal, Utah 84078
 (435) 789-1017 * FAX (435) 789-1813

**TOPOGRAPHIC
MAP**

07 13 05
 MONTH DAY YEAR

SCALE: 1" = 1000' DRAWN BY: C.P. REVISED: 05-24-07

**D
TOPO**

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

FORM 9

SUNDRY NOTICES AND REPORTS ON WELLS

5. LEASE DESIGNATION AND SERIAL NUMBER:

UTU-75206

6. IF INDIAN, ALLOTTEE OR TRIBE NAME:

N/A

7. UNIT or CA AGREEMENT NAME:

N/A

8. WELL NAME and NUMBER:

Center Fork Federal #17-2

9. API NUMBER:

4304738425

10. FIELD AND POOL, OR WILDCAT:

Oil Springs

1. TYPE OF WELL

OIL WELL ☐

GAS WELL ☒

OTHER

2. NAME OF OPERATOR:

McElvain Oil & Gas Properties, Inc.

3. ADDRESS OF OPERATOR:

1050 17th Street, Ste 1800

CITY

Denver

STATE

CO

ZIP

80265

PHONE NUMBER:

(303) 893-0933

4. LOCATION OF WELL

FOOTAGES AT SURFACE: 660' FNL & 1979' FEL

COUNTY: Uintah

QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: NWNE 17 12S 24E

STATE:

UTAH

11. CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION

TYPE OF ACTION

☒ NOTICE OF INTENT
(Submit in Duplicate)

Approximate date work will start:

7/1/2008

☐ SUBSEQUENT REPORT
(Submit Original Form Only)

Date of work completion:

☐ ACIDIZE

☐ ALTER CASING

☐ CASING REPAIR

☐ CHANGE TO PREVIOUS PLANS

☐ CHANGE TUBING

☐ CHANGE WELL NAME

☐ CHANGE WELL STATUS

☐ COMMINGLE PRODUCING FORMATIONS

☐ CONVERT WELL TYPE

☐ DEEPEN

☐ FRACTURE TREAT

☐ NEW CONSTRUCTION

☐ OPERATOR CHANGE

☐ PLUG AND ABANDON

☐ PLUG BACK

☐ PRODUCTION (START/RESUME)

☐ RECLAMATION OF WELL SITE

☐ RECOMPLETE - DIFFERENT FORMATION

☐ REPERFORATE CURRENT FORMATION

☐ SIDETRACK TO REPAIR WELL

☐ TEMPORARILY ABANDON

☐ TUBING REPAIR

☐ VENT OR FLARE

☐ WATER DISPOSAL

☐ WATER SHUT-OFF

☒ OTHER: Request for Drilling
Permit Extension

12. DESCRIBE PROPOSED OR COMPLETED OPERATIONS. Clearly show all pertinent details including dates, depths, volumes, etc.

McElvain Oil & Gas Properties, Inc. is requesting an extension to our August 14, 2006 State of Utah drilling permit. We are waiting on a Federal APD approval at this time, and would like to apply for the maximum extension time allowed.

PLEASE SEE THE ATTACHED STATE OF UTAH FORM "APPLICATION FOR PERMIT TO DRILL - REQUEST FOR PERMIT EXTENSION VALIDATION"

Approved by the
Utah Division of
Oil, Gas and Mining

Date:

08-06-07

By:

NAME (PLEASE PRINT)

Barbara Martin

TITLE

Engineer

SIGNATURE

Barbara Martin

DATE

8/1/2007

(This space for State use only)

RECEIVED

AUG 06 2007

(5/2000)

COPIES SENT TO OPERATOR
8-7-07
PM

(See Instructions on Reverse Side)

DIV. OF OIL, GAS & MINING

**Application for Permit to Drill
Request for Permit Extension
Validation**

(this form should accompany the Sundry Notice requesting permit extension)

API: 43-047-38425
Well Name: Center Fork Federal #17-2
Location: NWNE Sec. 17 T12S-R24E, Uintah County, Utah
Company Permit Issued to: McElvain Oil & Gas Properties, Inc.
Date Original Permit Issued: 8/14/2006

The undersigned as owner with legal rights to drill on the property as permitted above, hereby verifies that the information as submitted in the previously approved application to drill, remains valid and does not require revision.

Following is a checklist of some items related to the application, which should be verified.

If located on private land, has the ownership changed, if so, has the surface agreement been updated? Yes ☐ No ☒

Have any wells been drilled in the vicinity of the proposed well which would affect the spacing or siting requirements for this location? Yes ☐ No ☒

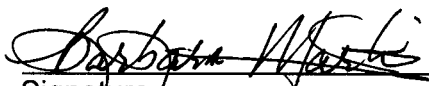
Has there been any unit or other agreements put in place that could affect the permitting or operation of this proposed well? Yes ☐ No ☒

Have there been any changes to the access route including ownership, or right-of-way, which could affect the proposed location? Yes ☐ No ☒

Has the approved source of water for drilling changed? Yes ☐ No ☒

Have there been any physical changes to the surface location or access route which will require a change in plans from what was discussed at the onsite evaluation? Yes ☐ No ☒

Is bonding still in place, which covers this proposed well? Yes ☒ No ☐


Signature

8/1/2007

Date

Title: Engineer

Representing: McElvain Oil & Gas Properties, Inc.

RECEIVED

AUG 06 2007

DIV. OF OIL, GAS & MINING

RECEIVED
VERNAL FIELD OFFICE
2006 JUL 31 PM 2:33
DEPT. OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

FORM APPROVED
OMB No. 1004-0136
Expires January 31, 2004

5. Lease Serial No.
UTU-75206

6. If Indian, Allottee or Tribe Name
N/A

7. If Unit or CA Agreement, Name and No.
N/A

8. Lease Name and Well No.
Center Fork Federal #17-2

9. API Well No.
43-047-38425

10. Field and Pool, or Exploratory
Oil Springs

11. Sec., T., R., M., or Elk. and Survey or Ar.
Sec. 17, T12S-R24E SLB&M

12. County or Parish
Uintah County

13. State
Utah

1a. Type of Work: ☒ DRILL ☐ REENTER

1b. Type of Well: ☐ Oil Well ☒ Gas Well ☐ Other ☐ Single Zone ☒ Multiple Zone

2. Name of Operator
McElvain Oil & Gas Properties, Inc.

3a. Address
1050 17th Street, Suite 1800, Denver, CO 80265

3b. Phone No. (include area code)
(303) 893-0933

4. Location of Well (Report location clearly and in accordance with any State requirements. *)
At surface **660' FNL & 1979' FEL (NWNE) Sec. 17, T12S-R24E S.L.B & M**
At proposed prod. zone **same (vertical well)**

14. Distance in miles and direction from nearest town or post office*
Approx 25 miles South of Bananza, Utah

15. Distance from proposed*
location to nearest
property or lease line, ft.
(Also to nearest drig. unit line, if any)
660 ft S. of Lease/Unit Line

16. No. of Acres in lease
1,280 Acres

17. Spacing Unit dedicated to this well
40 Acres

18. Distance from proposed location*
to nearest well, drilling, completed,
applied for, on this lease, ft.
Approx 2,640 ft

19. Proposed Depth
6,200 ft

20. BLM/BIA Bond No. on file
LPM 4138223 (Nation-Wide Bond)
COB000009

21. Elevations (Show whether DF, KDB, RT, GL, etc.)
6,155.9 ft GL

22. Approximate date work will start*
September 2006

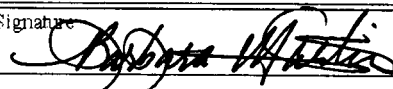
23. Estimated duration
30 Days Construction & Drilling

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No.1, shall be attached to this form:

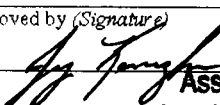
1. Well plat certified by a registered surveyor.
2. A Drilling Plan.
3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).

4. Bond to cover the operations unless covered by an existing bond on file (Item 20 above).
5. Operator certification.
6. Such other site specific information and/or plans as may be required by authorized officer.

25. Signature

Title
Engineer

Name (Printed/Typed)
Barbara Martin

Date
July 26, 2006

Approved by (Signature)

Title
**Assistant Field Manager
Lands & Mineral Resources**

Name (Printed/Typed)
Jerry Kevork
Office
VERNAL FIELD OFFICE

Date
10-22-2007

Application approval does not warrant or certify the the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Conditions of approval, if any, are attached

CONDITIONS OF APPROVAL ATTACHED

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on reverse)

NOTICE OF APPROVAL

RECEIVED

OCT 26 2007

DIV. OF OIL, GAS & MINING

UDOGM

06BM1841A
Entered in AFMSS
Date **11/20/06**



UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
VERNAL FIELD OFFICE

170 South 500 East VERNAL, UT 84078 (435) 781-4400



CONDITIONS OF APPROVAL FOR APPLICATION FOR PERMIT TO DRILL

Company:	McElvain Oil & Gas Properties, Inc.	Location:	NWNE, Sec. 17, T12S, R24E
Well No:	Center Fork Federal 17-2	Lease No:	UTU-75206
API No:	43-047-38425	Agreement:	N/A
Title	Name	Office Phone Number	Cell Phone Number
Petroleum Engineer:	Matt Baker	(435) 781-4490	(435) 828-4470
Petroleum Engineer:	Michael Lee	(435) 781-4432	(435) 828-7875
Petroleum Engineer:	James Ashley	(435) 781-4470	(435) 828-7874
Petroleum Engineer:	Ryan Angus	(435) 781-4430	(435) 828-7368
Supervisory Petroleum Technician:	Jamie Sparger	(435) 781-4502	(435) 828-3913
NRS/Enviro Scientist:	Paul Buhler	(435) 781-4475	(435) 828-4029
NRS/Enviro Scientist:	Karl Wright	(435) 781-4484	
NRS/Enviro Scientist:	Holly Villa	(435) 781-4404	
NRS/Enviro Scientist:	Chuck MacDonald	(435) 781-4441	(435) 828-7481
NRS/Enviro Scientist:	Jannice Cutler	(435) 781-3400	
NRS/Enviro Scientist:	Michael Cutler	(435) 781-3401	
NRS/Enviro Scientist:	Anna Figueroa	(435) 781-3407	
NRS/Enviro Scientist:	Verlyn Pindell	(435) 781-3402	
NRS/Enviro Scientist:	Darren Williams	(435) 781-4447	
NRS/Enviro Scientist:	Nathan Packer	(435) 781-3405	

Fax: (435) 781-4410

**A COPY OF THESE CONDITIONS SHALL BE FURNISHED TO YOUR
FIELD REPRESENTATIVE TO INSURE COMPLIANCE**

All lease and/or unit operations are to be conducted in such a manner that full compliance is made with the applicable laws, regulations (43 CFR Part 3160), and this approved Application for Permit to Drill including Surface and Downhole Conditions of Approval. The operator is considered fully responsible for the actions of his subcontractors. A copy of the approved APD must be on location during construction, drilling, and completion operations. **This permit is approved for a two (2) year period, or until lease expiration, whichever occurs first. An additional extension, up to two (2) years, may be applied for by sundry notice prior to expiration.**

NOTIFICATION REQUIREMENTS

Location Construction (Notify Environmental Scientist)	-	Forty-Eight (48) hours prior to construction of location and access roads.
Location Completion (Notify Environmental Scientist)	-	Prior to moving on the drilling rig.
Spud Notice (Notify Petroleum Engineer)	-	Twenty-Four (24) hours prior to spudding the well.
Casing String & Cementing (Notify Supv. Petroleum Tech.)	-	Twenty-Four (24) hours prior to running casing and cementing all casing strings.
BOP & Related Equipment Tests (Notify Supv. Petroleum Tech.)	-	Twenty-Four (24) hours prior to initiating pressure tests.
First Production Notice (Notify Petroleum Engineer)	-	Within Five (5) business days after new well begins or production resumes after well has been off production for more than ninety (90) days.

***SURFACE USE PROGRAM
CONDITIONS OF APPROVAL (COAs)***

General Surface COA

- If there is an active Gilsonite mining operation within 2 miles of the well location, operator shall notify the Gilsonite operator at least 48 hours prior to any blasting during construction.
- If paleontological materials are uncovered during construction, the operator is to immediately stop work and contact the Authorized Officer (AO). A report will be prepared by a BLM permitted paleontologist and submitted to the AO at the completion of surface disturbing activities.

Site Specific Surface Conditions of Approval

- The interim seed mix for this location shall be:

Intermediate Wheatgrass	<i>Agropyron intermedium</i>	4 lbs. /acre
Needle and Threadgrass	<i>Stipa comata</i>	4 lbs. /acre
Indian Ricegrass	<i>Stipa hymenoides</i>	4 lbs. /acre

 - All pounds are in pure live seed.
 - Reseeding may be required if first seeding is not successful.
- The topsoil from the reserve pit shall be stripped and piled separately near the reserve pit. When the reserve pit is closed, it shall be re-contoured and the topsoil re-spread, and the area shall be seeded in the same manner as the location topsoil.
- Once the location is plugged and abandoned, it shall be re-contoured to natural contours, topsoil re-spread where appropriate, and the entire location seeded with the recommended seed mix. Seeding shall place by broadcasting the seed and walking it into the soil with a dozer immediately after the dirt work is completed.
- The well will be spudded within five years of the existing or supplemented NEPA documentation.
- The requested color for all permanent structures is Olive Black.
- Within 90 calendar days of the approval date for this Application for Permit to Drill (APD), the operator/lessee shall submit to the Authorized Officer (AO), on Sundry Notice Form 3160-5, an Interim Surface Reclamation Plan for surface disturbance on well pads, access roads, and pipelines. At a minimum, this will include the reshaping of the pad to the original contour to the extent possible; the re-spreading of the top soil up to the rig anchor points; and, the area reseeded using appropriate reclamation methods. The AO will provide written approval or concurrence within 30 calendar days of receipt.
- The best method to avoid entrainment is to pump from an off-channel location-one that does not connect to the river during high spring flows. An infiltration gallery constructed in a BLM and Service approved location is best.

- If the pump head is located in the river channel where larval fish are known to occur, the following measures apply:
 - a. do not situate the pump in a low-flow or no-flow area as these habitats tend to concentrate larval fishes;
 - b. limit the amount of pumping, to the greatest extent possible, during that period of the year when larval fish may be present (see above); and
 - c. limit the amount of pumping, to the greatest extent possible, during the pre-dawn hours as larval drift studies indicate that this is a period of greatest daily activity.
- Screen all pump intakes with ¼" mesh material.
- Report any fish impinged on the intake screen to the Service (801.975.3330) and the Utah Division of Wildlife Resources:

Northeastern Region
152 East 100 North, Vernal, UT 84078
Phone: (435) 781-9453

DOWNHOLE CONDITIONS OF APPROVAL

SITE SPECIFIC DOWNHOLE CONDITIONS OF APPROVAL

- None

All provisions outlined in Onshore Oil & Gas Order #2 Drilling Operations shall be strictly adhered to. The following items are emphasized:

DRILLING/COMPLETION/PRODUCING OPERATING STANDARDS

- The spud date and time shall be reported orally to Vernal Field Office within 24 hours of spudding.
- Notify Vernal Field Office Supervisory Petroleum Engineering Technician at least 24 hours in advance of casing cementing operations and BOPE & casing pressure tests.
- Blowout prevention equipment (BOPE) shall remain in use until the well is completed or abandoned. Closing unit controls shall remain unobstructed and readily accessible at all times. Choke manifolds shall be located outside of the rig substructure.
- All BOPE components shall be inspected daily and those inspections shall be recorded in the daily drilling report. Components shall be operated and tested as required by Onshore Oil & Gas Order No. 2 to insure good mechanical working order. All BOPE pressure tests shall be performed by a test pump with a chart recorder and **NOT** by the rig pumps. Test shall be reported in the driller's log.
- BOP drills shall be initially conducted by each drilling crew within 24 hours of drilling out from under the surface casing and weekly thereafter as specified in Onshore Oil & Gas Order No. 2.
- Casing pressure tests are required before drilling out from under all casing strings set and cemented in place.
- No aggressive/fresh hard-banded drill pipe shall be used within casing.
- **Cement baskets shall not be run on surface casing.**
- The operator must report all shows of water or water-bearing sands to the BLM. If flowing water is encountered it must be sampled, analyzed, and a copy of the analyses submitted to the BLM Vernal Field Office.
- The operator must report encounters of all non oil & gas mineral resources (such as Gilsonite, tar sands, oil shale, trona, etc.) to the Vernal Field Office, in writing, within 5 working days of each encounter. Each report shall include the well name/number, well location, date and depth (from KB or GL) of encounter, vertical footage of the encounter and, the name of the person making

the report (along with a telephone number) should the BLM need to obtain additional information.

- A complete set of angular deviation and directional surveys of a directional well will be submitted to the Vernal BLM office engineer within 30 days of the completion of the well.
- Chronologic drilling progress reports shall be filed directly with the BLM, Vernal Field Office on a weekly basis in sundry, letter format or e-mail to the Petroleum Engineers until the well is completed.
- A cement bond log (CBL) will be run from the production casing shoe to the top of cement and shall be utilized to determine the bond quality for the production casing. Submit a field copy of the CBL to this office.
- **Please submit an electronic copy of all other logs run on this well in LAS format to UT_VN_Welllogs@BLM.gov. This submission will supersede the requirement for submittal of paper logs to the BLM.**
- There shall be no deviation from the proposed drilling, completion, and/or workover program as approved. Safe drilling and operating practices must be observed. Any changes in operation must have prior approval from the BLM Vernal Field Office.

OPERATING REQUIREMENT REMINDERS:

- All wells, whether drilling, producing, suspended, or abandoned, shall be identified in accordance with 43 CFR 3162.6. There shall be a sign or marker with the name of the operator, lease serial number, well number, and surveyed description of the well.
- In accordance with 43 CFR 3162.4-3, this well shall be reported on the "Monthly Report of Operations" (Oil and Gas Operations Report ((OGOR)) starting with the month in which operations commence and continue each month until the well is physically plugged and abandoned. This report shall be filed in duplicate, directly with the Minerals Management Service, P.O. Box 17110, Denver, Colorado 80217-0110, or call 1-800-525-7922 (303) 231-3650 for reporting information.
- Should the well be successfully completed for production, the BLM Vernal Field office must be notified when it is placed in a producing status. Such notification will be by written communication and must be received in this office by not later than the fifth business day following the date on which the well is placed on production. The notification shall provide, as a minimum, the following informational items:
 - Operator name, address, and telephone number.
 - Well name and number.
 - Well location (¼¼, Sec., Twn, Rng, and P.M.).
 - Date well was placed in a producing status (date of first production for which royalty will be paid).
 - The nature of the well's production, (i.e., crude oil, or crude oil and casing head gas, or natural gas and entrained liquid hydrocarbons).
 - The Federal or Indian lease prefix and number on which the well is located; otherwise the non-Federal or non-Indian land category, i.e., State or private.
 - Unit agreement and/or participating area name and number, if applicable.
 - Communitization agreement number, if applicable.
- Any venting or flaring of gas shall be done in accordance with Notice to Lessees (NTL) 4A and needs prior approval from the BLM Vernal Field Office.
- All undesirable events (fires, accidents, blowouts, spills, discharges) as specified in NTL 3A will be reported to the BLM, Vernal Field Office. Major events, as defined in NTL3A, shall be reported verbally within 24 hours, followed by a written report within 15 days. "Other than Major Events" will be reported in writing within 15 days. "Minor Events" will be reported on the Monthly Report of Operations and Production.

- Whether the well is completed as a dry hole or as a producer, "Well Completion and Recompletion Report and Log" (BLM Form 3160-4) shall be submitted not later than 30 days after completion of the well or after completion of operations being performed, in accordance with 43 CFR 3162.4-1. Two copies of all logs run, core descriptions, and all other surveys or data obtained and compiled during the drilling, workover, and/or completion operations, shall be filed on BLM Form 3160-4. Submit with the well completion report a geologic report including, at a minimum, formation tops, and a summary and conclusions. Also include deviation surveys, sample descriptions, strip logs, core data, drill stem test data, and results of production tests if performed. Samples (cuttings, fluid, and/or gas) shall be submitted only when requested by the BLM, Vernal Field Office.
- All off-lease storage, off-lease measurement, or commingling on-lease or off-lease, shall have prior written approval from the BLM Vernal Field Office.
- Oil and gas meters shall be calibrated in place prior to any deliveries. The BLM Vernal Field Office Petroleum Engineers will be provided with a date and time for the initial meter calibration and all future meter proving schedules. A copy of the meter calibration reports shall be submitted to the BLM Vernal Field Office. All measurement facilities will conform to the API standards for liquid hydrocarbons and the AGA standards for natural gas measurement. All measurement points shall be identified as the point of sale or allocation for royalty purposes.
- A schematic facilities diagram as required by Onshore Oil & Gas Order No. 3 shall be submitted to the BLM Vernal Field Office within 30 days of installation or first production, whichever occurs first. All site security regulations as specified in Onshore Oil & Gas Order No. 3 shall be adhered to. All product lines entering and leaving hydrocarbon storage tanks will be effectively sealed in accordance with Onshore Oil & Gas Order No. 3.
- Any additional construction, reconstruction, or alterations of facilities, including roads, gathering lines, batteries, etc., which will result in the disturbance of new ground, shall require the filing of a suitable plan and need prior approval of the BLM Vernal Field Office. Emergency approval may be obtained orally, but such approval does not waive the written report requirement.
- No location shall be constructed or moved, no well shall be plugged, and no drilling or workover equipment shall be removed from a well to be placed in a suspended status without prior approval of the BLM Vernal Field Office. If operations are to be suspended for more than 30 days, prior approval of the BLM Vernal Field Office shall be obtained and notification given before resumption of operations.
- Pursuant to Onshore Oil & Gas Order No. 7, this is authorization for pit disposal of water produced from this well for a period of 90 days from the date of initial production. A permanent disposal method must be approved by this office and in operation prior to the end of this 90-day period. In order to meet this deadline, an application for the proposed permanent disposal method shall be submitted along with any necessary water analyses, as soon as possible, but no later than 45 days after the date of first production. Any method of disposal which has not been approved prior to the end of the authorized 90-day period will be considered as an Incident of Noncompliance and will be grounds for issuing a shut-in order until an acceptable manner for disposing of said water is provided and approved by this office.

- Unless the plugging is to take place immediately upon receipt of oral approval, the Field Office Petroleum Engineers must be notified at least 24 hours in advance of the plugging of the well, in order that a representative may witness plugging operations. If a well is suspended or abandoned, all pits must be fenced immediately until they are backfilled. The "Subsequent Report of Abandonment" (Form BLM 3160-5) must be submitted within 30 days after the actual plugging of the well bore, showing location of plugs, amount of cement in each, and amount of casing left in hole, and the current status of the surface restoration.



JON M. HUNTSMAN, JR.
Governor

GARY R. HERBERT
Lieutenant Governor

State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

October 23, 2008

McElvain Oil & Gas Properties, Inc.
1050 17^H Street, Suite 1800
Denver, CO 80265

Re: APD Rescinded – Center Fork Federal 17-2 Sec. 17 T. 12 R. 24E
Uintah County, Utah API No. 43-047-38425

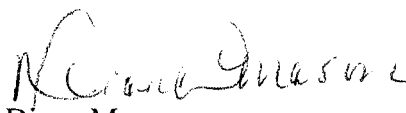
Gentlemen:

The Application for Permit to Drill (APD) for the subject well was approved by the Division of Oil, Gas and Mining (Division) on August 14, 2006. On August 6, 2007, the Division granted a one-year APD extension. No drilling activity at this location has been reported to the division. Therefore, approval to drill the well is hereby rescinded, effective October 23, 2008.

A new APD must be filed with this office for approval prior to the commencement of any future work on the subject location.

If any previously unreported operations have been performed on this well location, it is imperative that you notify the Division immediately.

Sincerely,


Diana Mason
Environmental Scientist

cc: Well File
Bureau of Land Management, Vernal

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENTFORM APPROVED
OMB No. 1004-0137
Expires: March 31, 2007**SUNDRY NOTICES AND REPORTS ON WELLS**

Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE- Other instructions on reverse side.1. Type of Well
☐ Oil Well ☒ Gas Well ☐ Other2. Name of Operator **McElvain Oil & Gas Properties, Inc.**3a. Address
1050 - 17th Street, Suite 1800 Denver, Colorado 802653b. Phone No. (include area code)
303.893.09334. Location of Well (Footage, Sec., T., R., M., or Survey Description)
660' FNL & 1,979' FEL (NWNE) Sec. 17, T12S-R24E S.L.B.&M.5. Lease Serial No.
UTU-752066. If Indian, Allottee or Tribe Name
na7. If Unit or CA/Agreement, Name and/or No.
na8. Well Name and No.
Center Fork Federal # 17-29. API Well No.
43-047-3842510. Field and Pool, or Exploratory Area
Oil Springs11. County or Parish, State
Uintah, Utah**12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA**

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other Request to Extend
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	Approved APD
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplete horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

McElvain Oil & Gas Properties, Inc. would like to request a 24 month extension of our currently approved APD for the Center Fork Federal # 17-2 well (API # 43-047-38425) located in the NWNE Sec. 17, T12S-R24E of Uintah County, Utah. The APD was originally approved on October 22, 2007 and is due to expire on October 22, 2009.

RECEIVED
VERNAL FIELD OFFICE
OCT 21 PM 1 43
DEPT OF THE INTERIOR
BUREAU OF LAND MGMT

14. I hereby certify that the foregoing is true and correct
Name (Printed/Typed)

E. Reed FischerTitle **Senior Operations Engineer**

Signature

Date

10/19/2009**THIS SPACE FOR FEDERAL OR STATE OFFICE USE**

Approved by

Petroleum Engineer Date **OCT 27 2009**

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Office

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Instructions on page 2)

RECEIVED

NOV 23 2009

CONDITIONS OF APPROVAL ATTACHED

DIV. OF OIL, GAS & MINING

UDOGM

CONDITIONS OF APPROVAL

McElvain Oil & Gas Properties, Inc.

Notice of Intent APD Extension

Lease: UTU-75206
Well: Center Fork Federal 17-2
Location: NWNE Sec 17-T12S-R24E

An extension for the referenced APD is granted with the following conditions:

1. The extension and APD shall expire on 8/7/2011.
2. Since the APD was approved under a Categorical Exclusion and the referenced NEPA will expire 8/7/2011, if the well has not been spud by that date this APD will expire and the operator is to cease all operations related to the preparing to drill the well.

If you have any other questions concerning this matter, please contact Ryan Angus of this office at (435) 781-4430



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Green River District-Vernal Field Office

170 South 500 East

Vernal, UT 84078

(435) 781-4400 Fax: (435) 781-4410

<http://www.blm.gov/ut/st/en/fo/vernal.html>



APR 20 2012

IN REPLY REFER TO:

3160 (UTG011)

E. Reed Fischer

McElvain Oil & Gas Properties, Inc.

1050 17th Street, Suite 1800

Denver, CO 80265

43 047 38425

Re: Notice of Expiration
Well No. Center Fork Federal 17-2
NWNE, Sec. 17, T12S, R24E
Uintah County, Utah
Lease No. UTU-75206

Dear Mr. Fischer:

The Application for Permit to Drill (APD) for the above-referenced well was approved on October 22, 2007. A two (2) year extension request of the original APD was received on October 21, 2009. On October 27, 2009 the request was reviewed and the extension request was approved to August 7, 2011, consistent with the expiration of the 390 CX used to process the APD. According to our records, no known activity has transpired at the approved location. In view of the foregoing, this office is notifying you that the approval of the referenced application has expired. If you intend to drill at this location in the future, a new Application for Permit to Drill must be submitted.

This office requires a letter confirming that no surface disturbance has been made for this drill site. Any surface disturbance associated with the approved location of this well is to be rehabilitated. A schedule for this rehabilitation must be submitted to this office. Your cooperation in this matter is appreciated.

If you have any questions regarding this matter, please contact Cindy Severson at (435) 781-4455.

Sincerely,

RECEIVED

MAY 02 2012

Jerry Kenczka
Assistant Field Manager
Lands & Mineral Resources

DIV OF OIL, GAS, & MINING

cc: UDOGM